

IN THE COUNTY OF RUSSELL

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY
VIRGINIA GAS AND OIL BOARD

MARCH 15, 2011

APPEARANCES:

BOARD MEMBERS:

MARY QUILLEN - PUBLIC MEMBER
BRUCE PRATER - GAS REPRESENTATIVE
KATIE DYE - PUBLIC MEMBER
BILL HARRIS - PUBLIC MEMBER

CHAIRMAN:

BUTCH LAMBERT - CHAIRMAN OF THE VIRGINIA GAS & OIL BOARD

DAVID ASBURY - DIRECTOR OF THE DIVISION OF GAS & OIL AND
PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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BUTCH LAMBERT: Good morning, ladies and gentlemen. It's now 9:00 o'clock. It's time to begin our proceedings. First off, let me apologize that we don't have our sound system hooked up this morning. We have a little bit of technical difficulties and we won't be able to do that today. So, I'd ask everyone that will be testifying today and all the Board members, if you could please speak up so everyone could hear. At this time, if you have any cell phones or any other communication devices, I'd ask you to please turn those off or put them on vibrate. If you have to take a call, please take that out in the hall. We are recording these proceedings and we need to be able to hear so that our recorder can everything on the record. I will begin by asking the Board to please introduce themselves beginning with Ms. Dye.

KATIE DYE: Good morning. I'm Katie Dye and I'm a public member from Buchanan County.

SHARON PIGEON: I'm Sharon Pigeon with the office of the Attorney General.

BUTCH LAMBERT: And I'm Butch Lambert with the Department of Mines, Minerals and Energy.

BILL HARRIS: Good morning. I'm Bill Harris, a public member from Wise County.

BRUCE PRATHER: I'm Bruce Prather. I represent the oil and gas industry on the Board.

MARY QUILLEN: Mary Quillen, a public member.

BUTCH LAMBERT: At this time, we'll enter into public comment. First on the sign up sheet is Karen Anstey.

KAREN ANSTEY: Good morning.

BUTCH LAMBERT: I'll ask you to move in front one of the mics please and state your name for the record.

KAREN ANSTEY: Oh, I thought the system wasn't on.

BUTCH LAMBERT: That's a recording microphone.

KAREN ANSTEY: Oh, okay. Good morning. My name is Karen Anstey. I'm here to appeal to the Board not to approve the pooling of my acreage. It's item number twenty-one on the docket. The reason is Southeast Land and Mineral did not negotiate in good faith.

BUTCH LAMBERT: Ms. Anstey, if I could interrupt you for a second. I would ask that if you have comments on a particular docket item and I think you're referring to item twenty-one, if you would hold your comments and please come forward at the time that that docket item is called it will be more helpful to the Board to hear your

comments as we're discussing that docket item.

KAREN ANSTEY: Oh, okay. Thank you.

BUTCH LAMBERT: Thank you. Phil Horn.

PHIL HORN: I have nothing.

BUTCH LAMBERT: No comments?

PHIL HORN: Yes, sir.

BUTCH LAMBERT: Thank you, Ms. Anstey. Because of some scheduling conflicts and for folks who have other appointments that they need to get to this afternoon, we're going to move on the docket to item number twelve. A petition from CNX Gas Company, LLC to allow election rights in unit C-29, well C-29A, docket number VGOB-10-1116-2848. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty. Shea Cook and Clyde Horn.

(Clyde Horn and Anita Duty are duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, would you state your name for the record, please?

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And did you prepare or supervise the preparation of the notice of hearing, amended notice of hearing and the application with regard to the additional well in C29?

A. I did.

Q. And the purpose for your filing this was to allow Mr. Horn to have an election right with regard to the second well that has been drilled, correct?

A. Yeah...yes.

Q. And is it your understanding that the argument here isn't about whether or not he should have an election, but whether or not there should be escrow?

A. Yes.

MARK SWARTZ: Okay. I'm not sure under those circumstances, Mr. Chairman, that we really need a lot of testimony from our side at the moment. And, you know, I would ask Mr. Cook, I guess...I assume your client would like to have an election right, I mean, under the order.

SHEA COOK: We would like to...we would like to reserve that right, yeah.

MARK SWARTZ: Okay. And I think I would sort of like to punt to you---.

SHEA COOK: Sure.

MARK SWARTZ: ---with regard to the escrow issue---.

SHEA COOK: I'll be happy to pick that up.

MARK SWARTZ: ---and we can move through this.

SHEA COOK: The nature of the objection that we filed relates to the addition of another well in the unit. Mr. Horn is a participating member in C29. Our position is and as I stated in my correspondence dated August the 23rd of last year, that if you permit the in placement of this additional well his gas interest will be directly impinged by reducing the revenue that he can reasonable expect to receive from C29 as a result of the production diminished by the addition of C29A in the unit. Now, our position is that ultimately whether you have one well or five wells, over the course of the productive life of that particular area the total amount of product produced will not be different. But the fact of the matter is by adding additional wells and putting Mr. Horn in the position where he has to elect between

being a participating partner or otherwise, it does negatively impact and reduce the revenue that he can reasonably receive over time from the production of the gas from that particular unit. He has been denied the benefit of his contractual right as an operating partner in C29 by CNX's unilateral action in applying for permission to in place C29A and moreover the additional well in the unit seems inconsistent with the underlying purpose of the oil and gas act of 1992, which included preventing over production of gas especially at a time where gas prices at relatively low levels, as well as to strike a balance between the extraction of a valuable nature resource and conservation. CNX's application to in place C29A will also have the effect to increase the time necessary for Horne to begin receiving revenue from his operating interest. For those reasons, we object to the request to in place the additional well. Certainly, beyond that, whether or not he is required to elect to be a participating partner or not, we would reserve the right to make that election depending upon what the Board's action is with regard to the addition of the additional well.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: Yes. Could you swear Mr. Hayhurst for me?

(Jeremy Hayhurst is duly sworn.)

COURT REPORTER: Would you state again?

JEREMY HAYHURST: Jeremy Hayhurst.

JEREMY HAYHURST

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Jeremy, who do you work for?

A. Consol Energy.

Q. How long have you worked for them?

A. Seven and a half years.

Q. Okay. Give us a sense of your college education and your training.

A. I have a Bachelor's Degree in Mechanical Engineering and a Master's Degree in Petroleum Engineering. I did my research in my Master's on coalbed methane and horizontal wells.

Q. Okay. In the seven and a half years that you've worked for CNX, what in general have your duties been?

A. I started out as a reservoir engineer and I'm now a supervisor of reservoir engineering.

Q. And have you testified before this Board before?

A. Yes.

Q. And have you testified with regard to infill drilling before?

A. That's correct, yes.

Q. Okay. I don't know if you were in the audience and listening to Mr. Cook's presentation. Were you?

A. Yes.

Q. Okay. So, I don't have to sort of summarize that for you. As I understood his point...his main point, it was that drilling a second well in this unit would not be reasonably expected to increase the overall production and thereby the overall royalties that would be payable or the overall net revenue that would be payable. Did you understand him to be making those points?

A. That's correct, yes.

Q. With regard to infill drilling...and this is an Oakwood unit, okay. Have you, in fact, testified before this Board before with regard to infill

drilling in the Oakwood Field?

A. Yes.

Q. And, in general, could you share your opinions with regard to the effects of infill drilling in the Oakwood Field with regard to production from any given unit?

A. Typically, one well in a unit just due to the permeability and the gas content over, you know, a period of sixty-five years is what we run our reserves. You do not drain, you know, a hundred percent of the gas or 80% of the gas. You're typically, you know, less than 50 with one well in a unit. Typical recoveries with two wells in the unit still probably approach 70 to 75%. So, there's a significant amount of gas that's remaining from that first well because you just don't drain it in that amount of time. So, with the permeability that you have, you need to put another well in the unit to drain that unit effectively.

Q. And, in fact, today we have on the docket, docket item number twenty-eight actually a petition to allow infill drilling of some additional units, correct?

A. That's correct.

Q. And did you prepare exhibits for that

docket item today?

A. Yes.

Q. Do you happen to have them handy?

A. Yeah.

Q. Could you let Mr. Cook sort of read over your shoulder here? But with regard to the...what I'm really looking for is the differential, sort of the history match. One of the exhibits that we will be talking about later today is a history match for an original well and then a second well, correct?

A. That's correct.

Q. And that also reports a cumulative production?

A. That's correct.

Q. And what is the estimate with regard to the increase in production that you see over the...is it sixty-five years that you're---?

A. Yes, sixty-five years.

Q. What's the increase in production that results from having a second well as opposed to having just one well in the unit?

A. The incremental reserves from these units that we're talking about later is 290 million cubic feet of gas. A single well in that unit we

history matched to produced 860 million. So, the total combined gives you 1150 million cubic feet. So, we do get additional reserves from the additional well in the unit.

Q. Okay. And those additional reserves basically .29 bcf, right, if we use this as an example?

A. Yes.

Q. Those additional reserves would produce royalty?

A. That's correct.

Q. And would produce net revenue to anybody who participated or was carried?

A. That's correct.

MARK SWARTZ: That's all I have, Mr. Chairman.

SHEA COOK: Just a followup.

CROSS EXAMINATION

QUESTIONS BY MR. COOK:

Q. Now, your opinion is based upon specific experience with a well or modeling?

A. Modeling and wells.

Q. Okay. But the information that supports the modeling comes from specific wells, is that correct?

A. Yes.

Q. Okay. And based upon the (inaudible) information from a specific well, you plugged that into a particular model to support your theory that you've presented to the Board today?

A. (Inaudible).

Q. You also made reference in your testimony to sixty-five years. Is that the life span that is used for the purpose of your modeling?

A. Yes. And that's what we run reserves for also.

Q. Okay. Now, the...but the sixty-five years you would agree is an arbitrate figure determined by, in this particular instance, CNX Gas to use to support modeling?

A. That's correct.

Q. And it is an arbitrate figure? You could use fifty years or you could use seventy-five years and ultimately you would get to the same result as far as being able to do extrapolate and give an opinion as to the life of the well?

A. Yeah, but typically your gas read gets so low and your economics won't sustain with gas prices to run, you know, even up to sixty-five years in most cases.

Q. Okay. And the gas prices at the present time are low historically speaking, is that correct?

A. That's correct.

Q. Okay. As far as the specific wells that you referenced to support your theories and the modelings that those theories are based on, when were those wells in place?

A. Most of these wells here have been in place for...some of them have been producing for a hundred...a hundred plus months.

Q. Okay. For a period in excess of hundred months?

A. Yes.

Q. Do you...sitting here today testifying, do you know the ages of the wells upon which your modeling is based on?

A. History match to the certain wells with a hundred months of production.

Q. No, my question is though, do you know how old the wells are that you're modeling is based upon? I mean, clearly you indicate that they're in excess of a hundred months. But do you know the ages of the wells?

A. Each of them would be different.

Q. So, you don't know? You don't know?

A. I could go back and---.

Q. But sitting here today testifying, you don't know?

A. Not...not right off my memory, no.

Q. Okay. Is it not also accurate that there are deviations from a particular model specific to the location of a particular unit based upon the geological formations upon...over which that unit is in placed?

A. You'd have to ask the geologist.

Q. Well, I mean, you're...what was your credentials?

A. Reservoir engineer.

Q. All right. You have an engineering background and you've been involved in the gas industry for how long?

A. Seven and a half years.

Q. Okay. And, you know, I'm not an engineer and I'm not a geologist, but it seems to me that it's pretty obvious that the geological formations do effect productions of a particular unit. Would you not agree with that?

A. That's correct.

Q. So, is it fair to say that whether or not the modeling that you use to support your theories before this Board may or may not be relevant depended upon the particular geological formations underlying unit C29?

A. Typically, the coals in Virginia---

SHEA COOK: Mr. Chairman, I would object. That's not responsive to my question. My question is---

MARK SWARTZ: Well, until he finishes his answer, you're not going to know if it's responsive.

BUTCH LAMBERT: Well, let him finish. He just got out two words.

SHEA COOK: Well, he says typically. I'm not asking typically. I'm asking without knowing the particular geographical...geological formations under C29, he can't state with any degree of certainty that the modeling that he has presented has any application or is relevant or has any relationship to this...to the conditions underlying C29. That was my question. Then he began with typically, which I already know is going off on another route. So, I...if the Board wants him to answer the question as he wants it, I'll stand silent.

BUTCH LAMBERT: I'd like for him to finish

answering the question. It may or may not be any relevant to you, but---.

SHEA COOK: Yes, sir.

BUTCH LAMBERT: ---maybe we can gain some information on his geological background that could help us determine better his knowledge of the geology.

SHEA COOK: That's fair.

A. We have a lot of geological models showing the thickness and we've done a lot of desorption work across Virginia and the Oakwood Field and the Nora Field. So, we don't see a pre-distinct difference, you know, from one unit away to the next unit away on gas contents and, you know, production and coal thickness. So, we have done a lot of modeling on different units and different areas all across the Virginia Field. So, you know, we do know a lot about the geology and what kind of gas is there. We don't see a distinct difference from one unit to the next. So, we can't, I guess, say that it's going to be extremely different under these 40 acres because these two here are the same. We just don't see that variability.

BUTCH LAMBERT: May I ask him a question, Mr. Cook?

SHEA COOK: Yes, sir.

BUTCH LAMBERT: In your modeling that you've looked at and you say "we", is this a team of geologist and your reservoir engineers---?

JEREMY HAYHURST: That's correct.

BUTCH LAMBERT: ---that work together to develop these models?

JEREMY HAYHURST: That's correct.

BUTCH LAMBERT: And working with that group, looking at the exhibit that we have marked Exhibit A, if you will look where C29 is located and C29 is proposed...C29A proposed, how much...with you limited knowledge of geology...I think you testified that you're a reservoir engineer, but you have worked with a geologist. Can you answer about how...within that distance, how much variation would you expect to see in the geology?

JEREMY HAYHURST: I wouldn't expect to see much at all.

BUTCH LAMBERT: Coal thicknesses would be the same?

JEREMY HAYHURST: What distance are you talking about?

BUTCH LAMBERT: The distance between C29 and C29A?

JEREMY HAYHURST: I wouldn't expect there to be much different on the thickness or gas content.

BUTCH LAMBERT: No difference. Okay, that's...your testifying as a reservoir engineer? You can tell that from your reservoir engineering background and not a geologist background?

JEREMY HAYHURST: That's correct.

BUTCH LAMBERT: Thank you, Mr. Cook.

Q. Okay. Do you know the distance---?

MARY QUILLEN: Mr. Chairman, I have a question---.

SHEA COOK: I'm sorry.

MARY QUILLEN: -before we move on. In the Oakwood Field, how many units have more than one well? Do you know that information off the top of your head or is it a lot or a few or a lot?

JEREMY HAYHURST: A lot.

MARY QUILLEN: And based on the age of the wells in these where there is increased density, do you see...what kind of variation do you see in production in these...within the Oakwood Field?

JEREMY HAYHURST: I mean, there's...I guess, there's a large variation just in production across the field in general.

MARY QUILLEN: No, I mean, in a specific where's there's increased density.

JEREMY HAYHURST: You don't see a large difference. You'll see initial production rates are pretty much consistent between an original well and an infill well. I mean, maybe thirty years down the road you might see the production...the initial production rate be lower because the gas in that area, depending on how close you put a well to the frac asmath and what that well has been draining. So, it would be different on several different factors that affect that whether you (inaudible) and how close it was and how long that initial well has been producing.

MARY QUILLEN: Right. Do you have any personal knowledge of some of the production in some of these older wells without---?

JEREMY HAYHURST: No.

MARY QUILLEN: ---going back and look---?

JEREMY HAYHURST: No.

MARY QUILLEN: Oh, okay.

BILL HARRIS: Mr. Chairman, let me sort of---.

BUTCH LAMBERT: Let me interrupt the Board. We kind of interrupting Mr. Cook in the middle of his testimony. So, let's...Board lets hold our question and

let Mr. Cook continue. I apologize, Mr. Cook.

CROSS EXAMINATION RESUMES

QUESTIONS BY MR. COOK:

Q. Sir, and I apologize, what was your last name?

A. Hayhurst.

Q. Okay. Mr. Hayhurst, you indicated that you don't see a distinct difference between, I think, and correct me if I'm wrong, the geological conditions underlying one well versus the other in this particular area. Is that an accurate summary of your statement?

A. Yes.

Q. Then, would...you would not...you would agree that each unit, and in specific reference to questions by Ms. Quillen, the amount of original wells and infill wells between units in this area or this region do vary?

A. That's correct.

Q. And some...some units you may have one well and some units you may have more than one well and whether or not there's one well or many wells in a particular unit is a function of what factors?

A. Permeability.

Q. Okay.

A. Gas in place.

Q. What else?

A. That's pretty much---.

Q. Doesn't the...right. And does the economy impact the number of wells that you've placed in a particular unit either the relationship between the current gas prices and the cost to recover that particular resource from that particular unit? Let me rephrase. Are there economic factors that are considered by your company in determining whether or not one well...more than one well go in a particular unit?

A. That's correct.

Q. Okay. And those vary from unit to unit?

A. That's correct.

Q. Now, if you have...in Mr. Horne's particular case, do you know whether or not...can you testifying within a reasonable degree of certainty the difference in the recoverable time one well in that unit would make versus two wells in a particular unit using this model of sixty-five years as a planning life for a particular well?

A. I guess, I don't understand. What are you asking?

Q. Well, I guess, if...in this particular unit C29 there's already one well in place. Do you know what the expected life is for that particular well to drain or exhaust this particular unit as it is in place?

A. A radius around it?

Q. Yes. Or the unit...the unit itself.

A. It doesn't drain the whole unit.

Q. Okay. All right. Do you know what impact the addition of a second well in that unit would have on the production from that unit over a period of time?

A. It would actually increase the terminal decline rate slightly.

Q. So, in other words---

MARK SWARTZ: Let him finish his answer.

SHEA COOK: He did.

MARK SWARTZ: You cut him off. I don't know.

SHEA COOK: No, sir, he responded to the question.

MARK SWARTZ: He started to respond. It would increase the terminal decline rate and you butted in before we knew if he was done.

BUTCH LAMBERT: Let me ask Mr. Hayhurst, did you finish your question or your answer?

JEREMY HAYHURST: No. No.

SHEA COOK: Okay.

BUTCH LAMBERT: Let's let him finish.

A. We've done modeling with two wells in a unit and it showed terminal decline rates changing from about three and a half to 4%. So, a slight change.

Q. Okay. So, you'd see a slight change based upon the modeling that you used?

A. That's correct.

Q. Do you have any specific information about this particular unit, C29?

A. Not with me today.

Q. Okay. So, you would not be in a position to be able to state within a reasonable degree of certainty that the models that you use have any particular application to C29?

A. Not today.

BUTCH LAMBERT: Mr. Hayhurst, let me make sure that I understood what your answer was. He asked you, did you have any information that you could specifically relate to unit C29 and you said no?

JEREMY HAYHURST: No. I don't have any information today relating to C29.

BUTCH LAMBERT: Oh, I'm sorry. Nothing with

you, okay.

JEREMY HAYHURST: Okay.

SHEA COOK: Those are all the questions that I have. Thank you.

BUTCH LAMBERT: Now, are there any questions from the Board? Starting with Mr. Harris.

BILL HARRIS: Mr. Chairman, yeah. Mr. Hayhurst, let me ask you, you said something about three and a half to four percent. But I missed what that was in relation to.

JEREMY HAYHURST: Terminal decline on a coalbed methane well, you see it transition from a hyperbolic to an exponential decline.

BILL HARRIS: Okay.

JEREMY HAYHURST: And that terminal decline rate is the exponential decline over...if you look at it on a semi log plot it's log of rate versus time. A semi log plotted for exponential would be a straight line. Hyperbolic would be a slight curvature. So, when it gets exponential---.

BILL HARRIS: In plain English...in plain English you're saying that this shortens the life of the well?

JEREMY HAYHURST: No. It does not shorten the

life of the well.

BILL HARRIS: It decreases it. What we've always heard...let me ask it this way, what we've...I guess what has been presented to the Board most often is that when a second well is drilled there is an interference effect. I haven't heard that mentioned. But I think that's something that you might want to address in this...in this case. But this interference, of course...well, I'll let you explain what happens. But does effect production overall. My understanding is that you get a higher production initially...for instance, over the next ten years you will get a higher production with two wells than you would with the one well in that same period of time. I guess, I understood in my mind that this shortens the life of the well. You get higher productivity, but it shortens the life. So, you get...you get more gas out sooner than later. But I may be incorrect in that.

JEREMY HAYHURST: It just lowers the rate that you would produce in the years fifty, fifty-five or sixty instead of---.

BILL HARRIS: Okay. So, you get more up-front than you would later is what you're saying. Now, what about interference? Could you tell us about that?

JEREMY HAYHURST: Interference occurs just depending on the time differences between if you're drilling an original well and an infill well. Typically, inference is caused by your dewatering. So, if you can draw the pressure by producing water for a larger radius, you could drill that infill well without having to dewater that coal and that's why you initially get the higher production rates for infill wells.

BILL HARRIS: Now, how does that affect the original well when that second well is drilled?

JEREMY HAYHURST: Typically, the original well increases also.

BILL HARRIS: And that's what I thought we had been...we had received testimony in the past that usually when a second well is drilled that the overall production increases and, in fact, the first well that came on line actually, again, from the data that we've been presented shows an increase as well. I think I'm bringing this out because if Mr. Horne decides not to participate in that second well. Traditionally, what we've seen is that the first well increases the output when that second well comes on line and operates. So, there's actually a benefit to him...now, I don't mean to testify for you. But this is sort of a question, from

what I understand there is a benefit to that first well when the second well is drilled, is that---?

JEREMY HAYHURST: That is correct. That is correct.

BILL HARRIS: Thank you.

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: These wells have to be pumped to get the water out to make any gas, is that correct?

JEREMY HAYHURST: That is correct.

BRUCE PRATHER: Okay. So, basically, one of the reasons that you're drilling the second well is to allow better drainage of the water within this unit and if you don't get the water out, you get no gas. Okay, so you drill the second well and they're close to it. If you get interference in this respect, it's rather good for the simple reason that you get additional water out and you get more gas. I assume that CNX is doing this economically and that this thing is a payable entity. I mean, I don't know that. But the philosophy makes sense. I mean, if you're going to...I mean, you don't get any gas out unless you pump the water off. So, if you get the water off and you have another well that does as good of a job as the first one getting the water

off, you're going to get more gas. Now, if you say that you make 200 million out of your second well, is that an economic well?

JEREMY HAYHURST: Yes.

BRUCE PRATHER: Okay. But that's basically the way this thing works. If you don't get the water off, you limit the amount of gas that you're going to produce in these wells.

BUTCH LAMBERT: So, Mr. Hayhurst, if I could put this together what Mr. Prather and Mr. Harris, their questions, the reason there's an increase in the first well by drilling a second well is because of the removal of the water out of the gas reservoir?

JEREMY HAYHURST: Yes, sir.

BUTCH LAMBERT: And that's why we see the increase in the first well?

JEREMY HAYHURST: That's correct.

BUTCH LAMBERT: And then we...then there's the decline over the next how many years? Typically...on the exhibit there...well, we're going to be talking about these exhibits later. But on that exhibit, how far out in time would you expect to start seeing the decline?

JEREMY HAYHURST: Usually in some areas we don't

see a decline rate for after five years.

BUTCH LAMBERT: So, it's producing and it has increased production for both wells within the first five years and it stays at that rate?

JEREMY HAYHURST: Yes. Some don't increase (inaudible). It varies across the field. Some are two. Some are three. Some go to five years where it stays kind of flat or increases. So, there's a variation across our field.

BUTCH LAMBERT: How big of a variation?

JEREMY HAYHURST: From one to five years to get to a peak rate and then stay flat. Some stay flat for three to five years after that.

BUTCH LAMBERT: Before you start seeing a decline?

JEREMY HAYHURST: Before you start seeing a decline rate.

BUTCH LAMBERT: And...so, you don't really have any wells drilled right now to know when that decline might be?

JEREMY HAYHURST: We have---.

BUTCH LAMBERT: I mean, you're using a...you're using a model?

JEREMY HAYHURST: That's correct. We have wells

that are fifteen years old. So, we have quite a few that are in a decline.

BUTCH LAMBERT: But are those one well or are they two wells in the unit or what are you basing that on?

JEREMY HAYHURST: Multiple wells that are declining.

BUTCH LAMBERT: Multiple wells in the unit?

JEREMY HAYHURST: Well, not in the unit, but across the field that are in a decline.

BRUCE PRATHER: Mr. Chairman.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: There is a typical decline curve for these CBM wells. From what I understand, you start the first month at zero gas and as you dewater that well over a period of maybe a year and a half or two years, it comes up to a maximum peak production and then at a point in time then it starts leveling off and more or less going on a slight decline out to whatever your economic limit is. Is that correct?

JEREMY HAYHURST: Generally, yes. But, we see because we have a lot of zones that you don't see. That well peaks out and then declines. But you see it produce flat for a significant amount of time after it

hits that peak and usually when you drill an infill well you see a slight incline because of dewatering and you're getting---

BRUCE PRATHER: Yeah.

JEREMY HAYHURST: -and you're getting a larger drainage area that...and then you see that original well...or that pivotal well it starts out at the same peak and it kind of does the same thing even though it didn't have to go through that dewatering phase to hit that peak.

BRUCE PRATHER: Yeah. Thank you.

BUTCH LAMBERT: Any other questions?

MARY QUILLEN: I have just one question.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: When you were answering Mr. Lambert's question about the number of fields that were fifteen years old and you did say, I just want to clarify and make sure I understood, that these are units that have more than one well? There are some that have---?

JEREMY HAYHURST: Some of these are in decline aren't more than...some of these that you see declines have more than one well, yes.

MARY QUILLEN: Okay. Some of them do?

JEREMY HAYHURST: Yes.

MARY QUILLEN: Okay. And how does that compare to a unit that only has one well that is of the same age, the fifteen year or do you have that information?

JEREMY HAYHURST: I don't have that information with...I never researched that before I came.

MARY QUILLEN: Okay. Thank you.

BUTCH LAMBERT: Mr. Cook brought up a point about economics and drilling wells of time when it's economical and it is good for the company to do that. Let me ask you a question, you may or may not know the answer. If you don't, that's fine. Just say that you don't have that information or if you don't have...if you're not the one to answer. Why this well...or why this unit and why this well at this time?

JEREMY HAYHURST: To be drilled?

BUTCH LAMBERT: Uh-huh.

JEREMY HAYHURST: At the current gas prices, these wells are still economic. Any infill well across our field is still economic with our drilling capital and the gas prices. We still meet our threshold as a company of ten percent or a better rate of return.

BUTCH LAMBERT: I think Mr. Cook asked you a question about do you drill wells when it's economical

and you said yes. So, that's what I wanted to lead up to. Even with today's low gas prices, you expect to see an increase of production from both of these wells, which at today's---

JEREMY HAYHURST: That's correct.

BUTCH LAMBERT: ---gas prices you still meet your rate of return.

JEREMY HAYHURST: That's correct.

BUTCH LAMBERT: Okay. Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: I just have a couple of questions.

RECROSS EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. With regard to the existing well that Mr. Horne has participated in, if I understood your testimony and answers to the questions that the Board put to you, it's your expectation that he would derive more income from the existing well if a second well is drilled, is that correct?

A. That's correct.

Q. Did I also hear you testify in response

to a question from a Board member that the one well will not fully drain this unit even over a life of sixty-five years?

A. That's correct.

MARK SWARTZ: That's all I have.

SHEA COOK: I don't have any further followup.

BUTCH LAMBERT: Any further questions or discussion from the Board?

SHEA COOK: I did...for the purposes of the record, if I might, if there's no further information or if Mr. Swartz has no additional evidence to present, I would like to put...have him testify under oath too.

BUTCH LAMBERT: Absolutely, Mr. Cook.

SHEA COOK: Okay.

BUTCH LAMBERT: Do you have anything further, Mr. Swartz?

MARK SWARTZ: The only thing that I would direct the Board's attention to is the interest in the unit. It's .85 acres. It's 1%. That was the only other thing that I was going to offer. With that, I'm done.

BUTCH LAMBERT: Okay.

MARY QUILLEN: Mr. Chairman, I have just one more question. Is...according to the information that we have, what you're asking is allowing the election

rights for Mr. Horne in this well. Is that correct?

BUTCH LAMBERT: I think what I heard Mr. Cook say though that you're also contesting the drilling of the second well.

SHEA COOK: Right. I mean, obviously---

BUTCH LAMBERT: I mean, if the Board approves, then you want to reserve the election options.

SHEA COOK: Yeah. I think that would make sense to do that because if it's inevitable that there's going to be an additional well placed there, he wants to be in a position where he can make a determination at that point as to whether or not it would be economical for him to be a participating member or not. He can't make the decision until the Board...really it's not...it's not necessary for him to make the decision until this Board determines whether or not an additional well is going to be in place.

MARY QUILLEN: He just wants to keep that option?

SHEA COOK: Yes.

MARY QUILLEN: It's clarified. Thank you.

BUTCH LAMBERT: Go ahead. Proceed, Mr. Cook.

CLYDE LINDEL HORNE

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. COOK:

Q. You've already been sworn?

A. Yes.

Q. State your name for the Board, please.

A. Clyde Lindel Horne.

Q. And are you a participating partner in CBM C29?

A. Yes.

Q. And how long has C29 actually been in place?

A. I'm thinking in 2005.

Q. So, to your knowledge, it has been producing since 2005?

A. Yes.

Q. Are you aware that CNX has petitioned to them placing an additional well C29A in that particular unit?

A. Yes.

Q. And you have heard during the initiation of this hearing my recitation of the basis for your objection?

A. Yes.

Q. And if you were to testify today, do you incorporate by your testimony that the basis of the objection as I stated to the Board?

A. Yes.

Q. All right. Do you...what are your concerns as far as your investment as a participating partner? What are your concerns about the impact on that by the in placement of an additional well in that unit?

A. Well, I really haven't received anything from C29. It's all in escrow.

Q. Because you're a participating partner?

A. Right.

Q. Okay.

A. And really I don't know whether to invest in C29A or not. Also, the water table with an existing well, I have there, which I haven't gotten any results from.

Q. All right.

BUTCH LAMBERT: Mr. Cook, I don't think I understood and I don't know if the rest of the Board understood your question and his answer.

SHEA COOK: All right. I'll rephrase.

Q. What...what concerns do you have as a participating partner in the original well C29 by the in placement of this additional well? What are your concerns?

A. I just don't want to invest any more money in it at this time.

Q. Do you believe that the in placement of an additional well in that unit that you're not a participating partner in will prolong the time that you will be able to recover any investment from the original well?

A. Will it prolong it?

Q. Yeah. Do you...are you concerned that it will prolong that before you can recover...begin recovering funds?

A. I really don't know if I want to recover anything.

Q. Because of the additional...additional well?

A. Right.

Q. All right.

BUTCH LAMBERT: I think he testified something about a water table and well.

Q. Yeah. Are you concerned about the

impact on your water table?

A. Yes, I'm concerned about that also.

Q. If you could, state that...the reasons for those concerns to the Board at this time?

A. Well C29 was drilled and they did a water testing on my water well and it showed negative. All right, they come back and done testing on C29A and it showed positive for a Coliform or whatever. I asked David Porter yesterday to fax me a copy and concerns on my well. I asked him if it was safe to drink and use. He said he didn't know if was or not. He couldn't tell me. He would have to get with CNX before he could fax me a copy of my contamination and my well. If he would do that, the way I look at it, another well is just going to be more contamination in my existing water well.

BUTCH LAMBERT: And, Mr. Horne, what did you say was the contamination? What did your results of the well show?

CLYDE LINDEL HORNE: It showed positive for Coliform, but he can't tell me what type of bacteria or anything of that nature. He said he wasn't allowed to reveal that at this time.

BUTCH LAMBERT: Anything further, Mr. Cook?

SHEA COOK: That's all that I have.

BUTCH LAMBERT: Okay. Any questions from the Board?

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: You may not want to answer this question. The investment that you're presently in in your first two wells, are these economical investments for you?

BUTCH LAMBERT: I haven't received anything.

BRUCE PRATHER: Nothing?

MARK SWARTZ: It's in escrow.

BRUCE PRATHER: Oh, it's in escrow?

MARY QUILLEN: Oh.

BRUCE PRATHER: Well, I'll ask you the question. Is his interest an economic interest to him? I mean, would these wells be economic...in other words, he invested his money. If there's not an economic interest to it, then he would just turn down the second well.

SHEA COOK: If I could...with all due respect, if you could clarify when you say economic interest. If you could clarify what you mean by that.

BRUCE PRATHER: I'm talking...I'm talking about a well that will say your initial investment back in

four or five years and give you maybe up to a 8% to 10% return on your investment.

SHEA COOK: I'd be interested in that response too.

MARK SWARTZ: Well, his investment in this well at 1% would be \$3,200.

BRUCE PRATHER: Right.

MARK SWARTZ: Okay. And the question that he needs to answer based on what he has heard today from our witness is that given current gas prices and given their estimates with regard to production, they think that this is a sound investment at a 10% rate of return threshold. I mean, you know, it can't...they may be right or they may be wrong. But economically, given the assumptions that they've shared with you, they think this makes sense for their company. Whether or not this makes...I don't know what Mr. Horne's expectations are. He might be happy with 5%. He might not. He might want 20%. I mean, he...you know, it's an investment decision do he spend \$3,200 and what are his expectations, you know. The other problem, which I don't know the answer, you know, what is the time value of money with regard to the money that's in escrow. We know it's returning a very negligible amount of money on annual basis. I

mean, does that impact on your desire to invest, I don't know. So---.

BRUCE PRATHER: Well, all I'm asking you is if it's a...if it's a good investment, then he has got a decision to make. If it's not a good investment, then his decision is obvious and that is that he won't participate.

MARK SWARTZ: I can't make that for him. I mean, all I can say is that CNX is prepared to spend \$320,000 to drill this well based on the assumptions that they just shared with the Board because they think it makes economic sense for them at a 10% rate of return. You know, that's their opinion. You know, it's not as risky as going to Vegas. But, you know, it's certainly not a guarantee. He needs to, you know, sort of factor in his expectations and his desires and his intentions with regard to investment. Does he want to put \$3,200 in this well? I don't know how to answer that question other than to repeat what I just told you.

BRUCE PRATHER: Well, he's the one that's going to have to make that decision.

MARK SWARTZ: Right.

BRUCE PRATHER: So, it's up to him.

BILL HARRIS: Let me followup on that though.

Money is in escrow as we speak. Is there anyway of knowing what that amount is? I mean, I guess, he wants to know if he has invested money already---

BUTCH LAMBERT: Mr. Harris, we can give you that information right now, I think.

DAVID ASBURY: Mr. Chairman, as of February...the end of February, 2011 unit C29 has \$7,794.40 in escrow for all parties.

BUTCH LAMBERT: For all parties?

DAVID ASBURY: For all parties.

SHARON PIGEON: Mark, the Exhibit E that you gave us also indicates that escrow was due to a title conflict. So, it's not just about your investment return here.

MARK SWARTZ: Right. We have a title opinion that sets forth that conflict. Mr. Cook and his client disagree. But, you know, we can't resolve that. I mean...and that would be another...you know, to get back to your question...of course, he gets his...I mean, let's...you know, let's sort of look at this. I mean, he would get his participation money back if he lost the title issue. So, it's not like that money is gone. But it's not going to come back at a rate of return that's probably going to be exciting.

BRUCE PRATHER: Of course, there are writeoffs that you could...that he would have benefit to by being in a working interest plus the depletion amounts.

MARK SWARTZ: Of course, the depletion amounts is pretty minimal. You know, at best it's 15%.

BRUCE PRATHER: Okay.

MARK SWARTZ: It depends on your tax bracket. I mean, it...yeah, I know what you're saying, but unless you're a cost...entitled to a...of course, if he was in the unit, he would have a cost...but he would only have...you know, his cost base would be \$3,200. So, it's not...that probably is not going to be an outcome determinative factor for someone in his position. I don't know.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Swartz, do you have anything further?

MARK SWARTZ: No, I do not.

BUTCH LAMBERT: Mr. Cook, do you have anything further?

SHEA COOK: Just by way of summary, obviously, we rely and rest upon on the basis contained in the

written objection of the letter dated August the 23, 2010. The evidence that has been presented by CNX today in support of the petition, we would suggest...I would suggest to this Board that it does not support a positive determination in the addition of the well. I would state because the justifications for the additional well and specifically CNX's position that this additional well would have a negligible if not positive impact on the current well that Mr. Horne is a participating member is based upon a model. It is...from our prospective based upon speculation and conclusions by CNX that what they see in these models would have the same effect with regard to Mr. Horne's well. That's not a basis for this Board to be able to make a determination on it. Moreover, there has not been any evidence or information presented to the Board as to how the additional well in this particular unit and the maximizing of output in this particular unit at a time of historically low gas prices is in anyway in furthest of consistent with the best interest of the Commonwealth or one of the primary basis of the 1992 Oil and Gas Act was conservation of a finite nature resources and the gas contained in this particular unit as in all units is finite. While it may be...there may

be an economic decision by CNX that 10% is an adequate rate of return for them, from the Commonwealth's standpoint and for the counties and these particular areas, it doesn't make sense to be paid on the cheap now when in all likelihood prices will increase over a period of time especially in light of what's going on in Japan and, you know, we...I think that the gas industry as a whole believes that over time the rate of gas prices will increase over time. That's what their business is. So, in addition to that, this hearing has left me with the view that Mr. Horne has no basis upon which to make a knowing decision or a knowing election as to whether or not it's in his interest to be a participating member of this unit or not. The evidence presented by CNX is candid in that their not in a position to be able to even to respond as to whether or not it would be an economic...it would be in the best interest from an economic standpoint based upon the definition that's provided by Mr. Prather as to whether or not this particular additional well would even meet that criteria. So, we would suggest that not being able to be able to make a knowing decision as a result of the information provided in the context of this administrative proceeding in and of itself constitutes a

due process violation under the circumstances of this case. So, I would ask based upon these factors to deny the request to allow the additional well in C29.

BRUCE PRATHER: Mr. Chairman, I've got one more question to ask Mr. Horne.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: You're referring to the...maybe the possibility that your water table or your water well may be contaminated by this new well. How far away is your water well from this new location?

CLYDE LINDEL HORNE: The new location? The first well is about 200 feet or 250. So, I would say the other one is about what 900 feet.

BRUCE PRATHER: The older well is between your well and the new well?

CLYDE LINDEL HORNE: Yeah. See, they drilled the well less than 750 feet. That was the controversy to begin with. It was less than what...just a flat table it's probably 250 feet and then the other one is what---.

BRUCE PRATHER: Oh, you're talking about the terrain keeping...you've got elevation.

CLYDE LINDEL HORNE: As the crow flies, it's about 250 feet. The other one is what 700 feet or 900

feet, wouldn't it, 800 or 900?

BRUCE PRATHER: Well, I'll say this much. The most contamination that you would get would be from the first well that they drilled. Since you're further away from it now, the possibility of getting additional contaminations is probably pretty remote. I mean, that's just me.

CLYDE LINDEL HORNE: Well, wouldn't the fracing and the breaking connect with the other well?

BRUCE PRATHER: Fracing is not going to get up into the...if it gets up there these people have lost their investment. If your cement gives and the water comes back up to the surface into your pit off one of these frac jobs, they've lost \$40,000. So, they're not going to intentionally pump into your water.

CLYDE LINDEL HORNE: Well, I didn't think they would intentionally contaminate my water to begin with, but I think it's contaminated.

BRUCE PRATHER: Okay. But like I'm saying, if you're further away, the degree of contamination would be less in this new well than it was in your original well, if that's the fact.

MARK SWARTZ: The houses are actually on the map and they're to the northwest of the first well. The

second well is in the southeast corner. So, it's...I assume you have the plat.

BRUCE PRATHER: Yeah. We're looking at it.

BUTCH LAMBERT: Which one of those houses is from---?

MARK SWARTZ: I think he lives on Tract 4, I think.

CLYDE LINDEL HORNE: Yeah, that's the tract. Yeah. Right there is where the well is.

SHEA COOK: That's accurate. The well is located there beside his house in Tract 4. Just to clarify the distance between C29 and C29A is approximately 700 feet. That's based upon his estimate. That may not be exactly correct. If it's not, Mr. Swartz I'm sure will clarify that. But we're not talking about, you know, you've got a well on one corner of the unit and they're asking to put a well on another end of the unit. You've got two relatively close wells. In our view, that's simply reinforces our argument that this is a duplicative and cumulative well that would serve no economic purpose.

MARY QUILLEN: Mr. Lambert.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: I just want to clarify this.

This petition is asking for...to allow election rights for Mr. Horne in this. It has...I mean, there's nothing in this petition regarding the location or the approval of C29A. This petition is just to allow election rights. Is that correct?

BUTCH LAMBERT: No, that's not correct, Ms. Quillen. The description that you have in your docket for number twelve...if you will look at the notice of hearing in the application and if you will look at A in that notice of hearing, on the first page.

MARY QUILLEN: Uh-huh. Okay.

BUTCH LAMBERT: Back one page under A.

MARY QUILLEN: Okay.

MARK SWARTZ: I thought that's what she said, Mr. Chairman. I...I---.

MARY QUILLEN: Yeah, that's what I thought I said too.

BUTCH LAMBERT: Oh, is that what you said? I'm sorry.

MARK SWARTZ: I'm sorry, but I didn't think there was a disconnect at all. But, you know---.

MARY QUILLEN: Thank you.

MARK SWARTZ: I'm trying to help here.

BUTCH LAMBERT: I'm sorry, Ms. Quillen.

MARY QUILLEN: Okay. Thank you.

MARK SWARTZ: Yes.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: A question about the distance from Mr. Horne's residence to the water well. Based on the mapping that we have, it looks as if C29 is 550 feet from the well and the proposed C29A well will be 1150...1140 feet from the---.

BUTCH LAMBERT: I think that's more accurate than the testimony that we heard. I think we heard someone testify that C29 was beside your house.

CLYDE LINDEL HORNE: Oh, it's straight across up on...on the point there. But that well...my water well...did you say 500 feet?

DAVID ASBURY: It is close...if your well is at your residence. How far is your well---?

CLYDE LINDEL HORNE: No, the well is down by...out by the residence there.

DAVID ASBURY: I don't have any way of knowing that.

BUTCH LAMBERT: Okay.

CLYDE LINDEL HORNE: Like I said, it's about 250 to 300 feet. You know, just a straight...straight line.

DAVID ASBURY: Okay.

BUTCH LAMBERT: Any further questions from the Board or discussions?

(No audible response.)

BUTCH LAMBERT: Do I have a motion to allow for the second coalbed methane well to be drilled in unit C29?

(No audible response.)

BUTCH LAMBERT: Is there need for further discussion?

BRUCE PRATHER: Mr. Chairman.

BUTCH LAMBERT: I hear some things going on---.

BRUCE PRATHER: The thing that bothers me a little bit about this is the fact that if there was water contamination, and the gentlemen says there was in his in his initial well...after the initial well was drilled, that gives me some problems. Other than that, I have no problems with permitting this well.

BUTCH LAMBERT: Let me ask one more question Mr. Horne before I call for another vote. Did you say that you have received the results from your first well?

CLYDE LINDEL HORNE: I've got the reports here. They came and took a sample here prior to this one. He said, well, he lost it and he came back. Then he came and took another sample. Which they've...I guess it was

this one that came back positive. Well, I called about it and they took another sample and they resampled it. But he won't send it to me. He said he had to get permission from CNX before he would send it to me.

BUTCH LAMBERT: That's understandable. That's usually the way it works because CNX is paying for it and they have the right to share it or not. But---

CLYDE LINDEL HORNE: Well, I asked him...I asked him if my water was safe to drink and he said he couldn't tell me that. I mean, that leaves you in a dilemma.

BUTCH LAMBERT: Okay. So, you don't know the results of the second sample. Who took that sample?

CLYDE LINDEL HORNE: EMI.

BUTCH LAMBERT: EMI.

CLYDE LINDEL HORNE: I've got the samples here if you want to look. I mean---.

BUTCH LAMBERT: Okay.

SHEA COOK: Do you all want to see the results?

BUTCH LAMBERT: That's not necessary. No. Mr. Prather, would you entertain a motion on waiting until we get the results...the second results or present it to the Board?

BRUCE PRATHER: I would feel more secure in

making a decision at that point in time.

BUTCH LAMBERT: And not...I might just to make sure. What did the first sample reveal was the cause of contamination, Mr. Horne?

CLYDE LINDEL HORNE: The...it just says negative on the first---.

SHEA COOK: They did one in 200...did you say 2003?

CLYDE LINDEL HORNE: Right. Prior to C29.

SHEA COOK: It was negative.

BUTCH LAMBERT: Mr. Asbury, do you know when the well was drilled?

DAVID ASBURY: I can determine that shortly.

BUTCH LAMBERT: Okay.

CLYDE LINDEL HORNE: But there's other test that have been done that showed that my well was negative. But---.

SHEA COOK: In 2010, it did show Coliform in it.

BRUCE PRATHER: A lot of those test that you're looking at it will depend on when you took the test. In other words, if you take the test when the water table is way down, you may get the Coliform that he talked about. If you take the test when the water table is up and it probably will be the other way. I mean, that's

just the way things are done.

CLYDE LINDEL HORNE: All I know is it's a drilled well that has never been dry.

BRUCE PRATHER: Yeah. Well, I mean, all I'm saying, you know, your water table does go down in the fall and then it's recharged and it comes back up.

BUTCH LAMBERT: Mr. Asbury.

BRUCE PRATHER: It all depends really when it is taken, the percentage.

CLYDE LINDEL HORNE: What?

BRUCE PRATHER: The percentage of Coliform will be different depending on when you take it...your test.

BUTCH LAMBERT: Mr. Asbury, do you have that date?

DAVID ASBURY: Yes, sir, I do. Our records show that the well was completed June the 23rd, 2004.

BUTCH LAMBERT: 2004, okay. Did they...did they sample your well in anticipation of drilling that well?

CLYDE LINDEL HORNE: Prior to drilling, yes.

BUTCH LAMBERT: Okay.

SHEA COOK: This is by the same company.

BUTCH LAMBERT: In 2003?

SHEA COOK: Yeah. It was actually November of 2003.

BUTCH LAMBERT: Okay.

CLYDE LINDEL HORNE: There's more samples than what I have.

BUTCH LAMBERT: So, Mr. Prather, again, I'll ask the question, would you be...would you feel more comfortable to postpone this docket item until we...this Board receives the results of...the second results of the monitoring from his well?

BRUCE PRATHER: I would feel more comfortable with it, Mr. Chairman. I mean, if the other Board members are in consensus with me. I mean, I don't want to---.

BUTCH LAMBERT: Well, I'll call for a...I'll call for a vote, if you'll make that in the form of a motion.

BRUCE PRATHER: Okay. I make a motion that pending the arrival new water tests on Mr. Horne's water well that we not do anything on this project at this time and wait until we get that information, if it's available. I mean, the other thing is it available?

MARK SWARTZ: We didn't bring the permit file.

BRUCE PRATHER: No. But would it be available to the Board?

MARK SWARTZ: It would be in our permit file.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: It should be in the permit file.

BRUCE PRATHER: Okay. I mean, if it's not available, my motion is irrelevant.

BUTCH LAMBERT: Well, if the test has been done, your motion would---.

BRUCE PRATHER: Yeah.

BUTCH LAMBERT: ---still be relevant pending they submit the results of the well.

BRUCE PRATHER: Yeah. Okay. So, I have a motion. Do I have a second?

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second. All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: I'll abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye.

DAVID ASBURY: Mr. Chairman, is there a date to that postponement?

BUTCH LAMBERT: I'm getting ready to ask Mr. Swartz if...what date would you expect that we could have this back on the docket, for next month?

MARK SWARTZ: I'm thinking that we could have it next month.

BUTCH LAMBERT: Okay.

MARK SWARTZ: I mean, we've already got the data. It's just locating it. I would also observe that...I know you can't really overcome a vote, but, you know, if there's a problem with the well water and if there's a contention that it was caused by a coalbed methane well or a gas well, you know, somebody needs to go to Mr. Asbury about that and not the Board. I understand your motion. I'm not arguing with that. We'll be back here next month. But, you know, if that's a complaint, that's where you go with it and, you know, we'll deal with it in that---.

BUTCH LAMBERT: You're absolutely correct, Mr. Swartz, and I totally agree with you once the Board receives the results.

MARK SWARTZ: I understand.

BUTCH LAMBERT: If that shows up, then that will be an action that Mr. Asbury will have to address. So, we can continue this until April.

MARK SWARTZ: That would be great.

SHEA COOK: What is that date?

BUTCH LAMBERT: April...I don't have my

calendar.

SHARON PIGEON: The third Tuesday.

JIM KAISER: The 19th.

BUTCH LAMBERT: The 19th.

DAVID ASBURY: Correct.

BUTCH LAMBERT: Thank you, folks

SHEA COOK: Mr. Lambert, thank you for taking me
for taking me out order. Thank you, Mr. Swartz.

MARK SWARTZ: No problem.

BUTCH LAMBERT: Calling docket item number two,
a petition from CNX Gas Company, LLC for disbursement of
funds from escrow and the authorization of direct
payment of royalties for unit AZ-110, docket number
VGOB-02-0917-1070-03. All parties wishing to testify,
please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as
follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you're still under oath?

A. Yes.

Q. Would you state your name, again?

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And what do you do for them in relation that pertains to this disbursement request?

A. I have prepared the petition and make sure the accounts are in order.

Q. And did you receive information from the DGO to assist you in preparing this application?

A. Yes.

Q. You got a balance, correct?

A. I did.

Q. As of, I think, 12/31/10?

A. Yes.

Q. Okay. This is a request for a partial disbursement, correct?

A. It is.

Q. It pertains drilling unit AZ-110?

A. Yes.

Q. And it pertains to Tracts 1N and 2A, right?

A. Yes.

Q. Did you...and this disbursement request is predicated upon a royalty split agreement, correct?

A. It is.

Q. Have you seen that agreement?

A. I have.

Q. And is it a 50/50 agreement?

A. Yes.

Q. And consistent with that agreement, have you prepared an Exhibit A-1, which is a disbursement calculation?

A. Yes.

Q. And you show as of 12/31/2010 a total amount in the escrow of what?

A. \$54,122.20.

Q. And if we look at the amounts as of that date that would be disbursed, obviously...it's obvious there's a substantial amount of money going to be left in the account?

A. Yes.

Q. So, it needs to be maintained?

A. It does.

Q. Who are the people that are...strike that. In Tract 1M, who are the people that are going to

receive disbursements?

A. Buck Horn Coal Company and Maggie Lee Dye.

Q. And for each of them, what percentage should the escrow agent use in making the disbursement?

A. 14.3667%.

Q. Okay. And that would be...that percentage would be applied to the balance at the time the disbursement is made?

A. Yes.

Q. And then with regard to Tract 2A, what...who are the people that would receive the disbursement and what percentages should the escrow agent use?

A. Buck Horn Coal Company and Maggie Lee Dye and they should each receive 31.2061%.

Q. Okay. The well contributing to this escrow account is what well?

A. AZ-110.

Q. Okay. And are you requesting that the Board allow the operating to pay these folks directly so that future money does not get into the escrow account and need to be accounted for, correct?

A. Yes.

Q. Have you prepared revised Exhibits E and EE, which would pertain if this application for disbursement is approved?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: I'll abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye.
Calling item number three on the docket, the Board will consider a petition from CNX Gas Company, LLC for

disbursement of funds from escrow and the authorization of direct payment of royalties from unit AY-100, docket number VGOB-02-1217-1104-01. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you need to state your name for us, again.

A. Anita Duty.

Q. You're still under oath?

A. Yes.

Q. Who do you work for?

A. CNX Land Resources.

Q. And with regard to this miscellaneous petition, what duties did you have?

A. To prepare the petition and to make sure the accounts are in order.

Q. Is this...is this petition based on a

royalty split agreement?

A. Yes.

Q. And have you seen it?

A. I have.

Q. Is it a 50/50 agreement?

A. Yes. These are actually deeds.

Q. They're deeds?

A. Yeah, I'm sorry.

Q. Are...is the net effect of these deeds a
50/50 split?

A. It is.

Q. Okay. And we're talking here about unit
AY-100?

A. Yes.

Q. And we're talking about two Tracts 1A
and 1C?

A. Yes.

Q. We are talking about a partial
disbursement?

A. Yes.

Q. So, the escrow account would need to be
maintained for AY-100 even after these disbursements are
made?

A. It would.

Q. If we go to the last page of the petition for disbursement, you've got an Exhibit A-1 again, correct?

A. Yes.

Q. And you've made a calculation as of a date and what is that date?

A. December the 31st, 2010.

Q. And the \$86,973.42 balance, where did that come from?

A. Information provided by David Asbury's office.

Q. And essentially David Asbury's office was...or the DGO was giving you the bank balance as of that date?

A. Yes.

Q. The...with regard to Tract 1A, who are the people that the escrow agent should disburse to if this application is approved and what percentages should the escrow agent use?

A. Harrison-Wyatt, LLC should get a total of 31.8051%, Beatrice McCormick 1.3439%, Betty Fletcher 1.3439%, Chester Sanders, Dave Sanders and Norman Sanders should each receive 9.4071% and Jerry Sanders 0.8959%.

Q. And with regard to Tract 1C and the disbursements that this application request, who would receive the disbursements and what percentages should the escrow agent use?

A. Harrison-Wyatt, LLC a total of 0.8211%, Wesley Hatfield 0.0081%, Judy Rollings 0.0081% and Harry Hatfield 0.0081%, Velvie Feleno 0.0308%, David and Patty Price 0.0283% and CNX Gas Company 0.7095%.

Q. Okay. And when the escrow agent makes these disbursements, if this application is approved, they should apply those percentages to the then balance on deposit, correct?

A. Yes.

Q. The well that's contributing to this escrow?

A. AY-100.

Q. Okay. And are you also asking that the Board allow the operator to pay these folks that would be receiving these disbursements directly so as to not deposit additional funds into escrow?

A. Yes.

Q. Have you provided the Board with revised Exhibit E and a revised split agreement exhibit as well?

A. Yes.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Any questions from the Board?

BRUCE PRATHER: I've got a question, Mr. Chairman.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: On the number of people you said that are involved in this disbursement, I didn't notice that you said that William Constine Heirs. Are they...are they part of the Harrison-Wyatt?

ANITA DUTY: No, they're the individuals that are listed on Tract 1C.

BRUCE PRATHER: Okay. What percentage are they?

ANITA DUTY: There's a...it's on the Exhibit A-1.

SHARON PIGEON: That's the breakout under that.

BRUCE PRATHER: Oh, okay. Okay.

MARK SWARTZ: Well, actually the total would equal the .8211 though. I mean, it would balance...it would offset that.

BUTCH LAMBERT: Ms. Duty, you said that this was as a result of deeds, the reason for this disbursement.

ANITA DUTY: Yes. Actually deeds of CBM claim.

BUTCH LAMBERT: Is that both in Tracts 1A and 1C?

ANITA DUTY: Yes.

BUTCH LAMBERT: Okay. Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: I'll abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Calling item four on the docket, a petition from CNX Gas Company, LLC for disbursement of funds from escrow and the authorization of direct payment of royalties for unit AZ-99, docket number VGOB-04-0120-1250-02. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: Ladies and gentlemen, I need to ask you please refrain from your talking. If you do need to have discussions, please take it outside. Our recorder is picking up your conversations. You may proceed, Mr. Swartz.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you need to state your name for us again.

A. Anita Duty.

Q. You're still under oath?

A. Yes.

Q. And who do you work for?

A. CNX Land Resources.

Q. And with regard to this application pertaining to AZ-99, what were your duties?

A. I've prepared the petition to make sure the accounts are in order.

Q. Okay. This is a disbursement request

with regard to Tract 1B, is that correct?

A. Yes.

Q. And it's a partial disbursement?

A. It is.

Q. So, the escrow account would need to be maintained even if this was approved?

A. Yes.

Q. Is this split...is this petition based on a royalty split agreement?

A. Yes, like the previous. They're actually deeds again.

Q. Okay. So, you've actually seen the deeds that caused these parties to reach an agreement here?

A. Yes.

Q. And do those deeds provide for a 50/50 split?

A. It does.

Q. And have you made that sort of a provision a 50/50 provision in your Exhibit A-1?

A. Yes.

Q. Your Exhibit A-1 is done as of what date?

A. December the 31st, 2010.

Q. And the \$15,752.79 balance came from where?

A. It was provided by Mr. Asbury's office.

Q. And that would have been a copy presumably of a 12/31 bank statement?

A. Yes.

Q. Okay. And who are the folks that would be receiving disbursements if this application were approved from Tract 1B and what percentages should the escrow agent be using?

A. Harrison-Wyatt, LLC 6.1728%, Beatrice McCormick 3.7037% and Jerry Sanders 2.4691%.

Q. The escrow agent should apply those percentages to the balance on deposit at the time the disbursements are made?

A. Yes.

Q. And are you also requesting as operator the right to pay these people directly in the future?

A. Yes.

Q. And the well that contributes to this escrow account is?

A. AZ-99.

MARK SWARTZ: That's all I have, Mr...oh, I take that back.

Q. Have you prepared a revised Exhibit E and a revised Exhibit EE to reflect the disbursement?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: I'll abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved. Calling item number five on the docket. It's a petition from CNX Gas Company, LLC for disbursement of funds from escrow and the authorization of direct payment of royalties from unit Q-41, docket number VGOB-93-0216-0327-04. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, state your name for us.

A. Anita Duty.

Q. You're still under oath, right?

A. Yes.

Q. Who do you work for?

A. CNX Land Resources.

Q. And with regard to this petition, what were your responsibilities?

A. To prepare the petition and to make sure these accounts were in order.

Q. This is a disbursement request pertaining to unit Q-41, is that correct?

A. Yes.

Q. And it pertains to Tract 4?

A. Yes.

Q. And it's a partial disbursement?

A. It is.

Q. So, the escrow account would need to be maintained even after these disbursements are made?

A. Yes.

Q. Is this disbursement request based on some writings?

A. It is.

Q. Is this a split agreement or a deed agreement?

A. A split agreement.

Q. Okay. Have you actually seen that agreement?

A. I have.

Q. And does it provide for a 50/50 split?

A. It does.

Q. And is that how you have prepared Exhibit A-1?

A. Yes.

Q. Turning to Exhibit A-1, there is a total on deposit as of what date?

A. November the 30th, 2010.

Q. And that total of \$44,440.15 came from where?

A. Information provided by Mr. Asbury's

office.

Q. Okay. And, again, that information would have been a bank statement as of the date stated?

A. Yes.

Q. Okay. Who should receive the disbursements with regard to Tract 4 and what percentages should the escrow agent use when those disbursements are made?

A. James McGuire Land Trust 13.7265% and Linda Eskridge 13.7265%.

Q. And those percentages should be used by the escrow agent and applied to the total on deposit at the time the disbursements are made?

A. Yes.

Q. And are you also as operator requesting an ability to pay these people directly and not escrow further moneys for them?

A. Yes.

Q. And the wells that contribute to this escrow account are?

A. 241 and 405.

MARK SWARTZ: That's all I have. I forgot again.

Q. You've also provided the Board with

revised Exhibits E and EE, correct?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: I'll abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved. Calling docket item number six, a petition from CNX Gas Company, LLC for disbursement of funds from escrow and the authorization of direct payment of royalties for unit P-41, docket number VGOB-93-0216-0329-04. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. State your name for us, please.

A. Anita Duty.

Q. You're still under oath?

A. Yes.

Q. Who do you work for?

A. CNX Land Resources.

Q. And your duties with regard to this petition were what?

A. To prepare the petition and make sure the accounts were in order.

Q. It looks like we have exactly the same people that we had in the last item with regard to Q-41, correct?

A. We did.

Q. So, then I can assume we had a written split agreement?

A. Yes.

Q. 50/50?

A. Yes.

Q. And if we'll go to Exhibit A-1, we've got a total amount in escrow of \$77,565.76, correct?

A. Yes.

Q. As of what date?

A. November the 30th, 2002.

Q. And where did that number come from?

A. First Bank & Trust, which was provided by David Asbury's office.

Q. Okay. And is this a partial disbursement?

A. It is.

Q. So, the escrow account will need to be maintained?

A. Yes.

Q. And what percentages should the escrow agent use in making the disbursement and who should receive it?

A. James McGuire Land Trust 17.1714% and Linda Eskridge 17.1714%.

Q. And those percentages should be applied to the balance on hand at the time the payment is made?

A. Yes.

Q. And were you also as operator requesting an ability to pay these people directly in the future?

A. Yes.

Q. And the well that contributed to this escrow account was?

A. 401.

Q. And have you provided the Board with revised Exhibits E and EE?

A. Yes.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying aye.

(All members signify by saying aye, Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: I'll abstain.

BUTCH LAMBERT: I tried to confuse you that

time. One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved. I'm just making sure you was awake. We're going to take about a ten minute recess. We'll be back at 10:30.

(Break.)

BUTCH LAMBERT: We're calling item seven on the docket, a petition from CNX Gas Company, LLC for disbursement of funds from escrow for unit V-36, docket number VGOB-98-0324-0638-05. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

JEN SHAVER: Jen Shaver and Winifred Osborne. Mr. Chairman, Mr. Osborne would be requesting at this time for this matter to be continued due to pending litigation in Circuit Court.

BUCK BRITTON: I'm Buck Britton and Charlie Green for Hurt McGuire.

BUTCH LAMBERT: Could we get another chair?

MARK SWARTZ: Sure. We've got one.

BUTCH LAMBERT: Sir, could you please state your name again?

BUCK BRITTON: Buck Britton.

BUTCH LAMBERT: Britton?

(No audible response.)

BUTCH LAMBERT: And Mr. Green?

CHARLIE GREEN: Charlie Green.

BUTCH LAMBERT: Charlie.

MARK SWARTZ: Mr. Chairman, while you're add it, could you call V-37 so that we could double our money here?

BUTCH LAMBERT: I was going to ask if we could do that. Absolutely. We're also calling docket item number eight, a petition from CNX Gas Company, LLC for disbursement of funds from escrow for unit V-37, VGO...docket number VGOB-98-0324-0639-02. Now, Ms. Shaver, you had an objection, I understand.

JEN SHAVER: Yes, Mr. Chairman. On behalf of Mr. Osborne, we're just asking that docket items seven and eight be continued due to litigation that has been filed in relation to these matters. We don't believe that it would be appropriate to disburse funds at this time due to the litigation.

BUTCH LAMBERT: You're---.

SHARON PIGEON: Continued until when?

JEN SHAVER: Until the resolution of the litigation.

BUTCH LAMBERT: I think that this Board would like to hear...since the other party is here, this Board

would like to hear the arguments from both sides and then we'll decide at that point whether or not to continue those. Mr. Swartz?

MARK SWARTZ: I'm not a side.

(Laughs.)

MARK SWARTZ: Well, what I'm saying is if the motion to continue is granted, then you don't really need us to explain...I mean, the applications indicate the amount of money involved. I mean, there's...each party would receive, you know, as of 12/31 roughly \$8400 in V36 and as of 12/31 in V37 \$32,000. So, there's about \$40,000 at stake for each party on the two. You know, if the motion for continuance is denied, Anita and I will cover what needs to happen. But I don't think we need to do that if---.

BUTCH LAMBERT: Yes.

MARK SWARTZ: If it makes sense to you to deal with the continuance first.

BUTCH LAMBERT: Mr. Britton, would you like to address the request to continue?

BUCK BRITTON: Well, Your Honor, previously an action had been filed, I believe, in May of 2010. In October of 2010, the plaintiffs took a voluntary non-suit order. We've been told that an action to be filed

Friday. It has not been served. We've not seen it. So, obviously, we don't know what it says or what the allegations are, whether it alleges a...that the split agreement is void or whatever. We just haven't seen it. So, it's hard for us to comment on it other than when this was put on the docket there was no controversy over the split agreement. Obviously, there's an allegation that there is. But we haven't seen that paperwork. So, we can't comment on what has been filed as of yesterday.

JEN SHAVER: If I may, Mr. Chairman, the suit was filed yesterday in Buchanan County Circuit Court. It was sent on Thursday and not received until yesterday and filed yesterday.

BUTCH LAMBERT: And we have received confirmation that that has been filed.

BUCK BRITTON: I agree. I can confirm that it has been filed. I just don't know what it says. I can tell you who the parties, but what it alleges I don't have it because the parties have not been served.

SHARON PIGEON: Ms. Shaver---

JEN SHAVER: Yes, ma'am.

SHARON PIGEON: ---we received an email from Mr. Glubiak on this.

SHARON PIGEON: Yes, ma'am.

SHARON PIGEON: He has stated that he's not going to serve this lawsuit at this time because he's still investigating other matters. So, your proposal is that this be continued indefinitely. You make take a year to effect service.

JEN SHAVER: I don't anticipate that it will take a year to effect service, but Mr. Glubiak has...you know, intends to take a little bit more time to effect service. You know, even if this...if the parties were served, you know, today or yesterday, the litigation could still be pending for quite some time. Our position is that it's not appropriate for this Board to take action on this because there is pending litigation. We'd request just that this be continued.

BUTCH LAMBERT: Any questions or comments from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Shaver, how about...how about we do this? How about this Board continue this for one month and give time for you to get service and then we'll bring that back in April.

JEN SHAVER: Okay.

BUTCH LAMBERT: Is that okay with you, Mr. Britton?

BUCK BRITTON: Yes, sir.

BUTCH LAMBERT: Okay. Okay, so these two docket item number seven and eight will be continued until April. Thank you, folks.

JEN SHAVER: Thank you.

BUCK BRITTON: Thanks.

BUTCH LAMBERT: We're calling number nine on the docket, a petition from CNX Gas Company, LLC requesting disbursement of funds and authorization of direct payment of royalties from coalbed methane gas unit Buchanan 1 SGU1, docket number VGOB-98-1117-0697-03. All parties wishing to testify, please come forward. Ladies and gentlemen, you won't find that packet in...that item in your packet because this was before us once and we asked for some new updated exhibits.

MARK SWARTZ: Correct.

BUTCH LAMBERT: And that's what has just been passed out to us, I think. Ladies and gentlemen, we'll need you all to be sworn if you're going to testify.

(Dolores Estep, Ralph Keen, Donna Woods and J. C. Lambert are duly sworn.)

COURT REPORTER: Okay, each of you state your names, please.

DOLORES ESTEP: Dolores Estep.

RALPH KEEN: Ralph Keen.

DONNA WOODS: Donna Woods.

J. C. LAMBERT: J. C. Lambert.

BUTCH LAMBERT: And one time, Mr. Lambert, for the record, we are not kin and we don't know each other, do we except we met last month, right?

J. C. LAMBERT: Last month or month before last.

BUTCH LAMBERT: Or whenever it was. Mr. Swartz, you may proceed.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, your name, please.

A. Anita Duty.

Q. Okay. You're still sworn...you're still under oath?

A. Yes.

Q. Okay. Who do you work for?

A. CNX Land Resources.

Q. We were here last month on this

application, were we not?

A. Yes.

Q. And you offered testimony and answered questions and so forth, correct?

A. Yes.

Q. And why are we back today?

A. Just to amend the exhibits for some of the tracts that were denied disbursement.

Q. Okay. And have you provided the Board with some amended exhibits today?

A. Yes.

Q. And those include Exhibit E...an amended Exhibit E and amended Exhibit EE, is that correct?

A. Yes.

Q. And finally is there an amendment also to the Exhibit A?

A. Yes.

Q. Okay. Let's start with Exhibit A. The request here that we addressed last month is to make a disbursement from Tract 27, is that correct?

A. Yes.

Q. And it's definitely a partial disbursement?

A. It is.

Q. You're showing a balance as of September the 30th, 2010, correct?

A. Yes.

Q. And what was the total balance in the escrow as of that date?

A. \$557,666.64.

Q. And that number came from where?

A. First Bank & Trust spreadsheet provided by Mr. Asbury's office.

Q. Okay. And the people that you're proposing to receive disbursements and the percentages that you've proposed the trust...the escrow agent use in making the disbursements are who...what people and what percentage?

A. Coal Mountain Mining a total of 7.7544%, Arnold Keen 2.5848%, Billy Ray Hale 0.6462%, Linda Hale Matney 0.6462%, Brenda Weddle 0.6462%, Carl Lee Hale 0.6462% and Elizabeth Justus 2.5848%.

Q. And the escrow agent should use those percentage at the time the disbursements are made, correct?

A. Yes.

Q. And they should be applied to the entire balance on deposit at that point?

A. Yes.

Q. And are you also asking, with regard to the individuals listed on Exhibit A, that the operator be allowed to pay them directly in the future?

A. Yes.

Q. And this pertains only to Tract...a part of Tract 27, correct?

A. Yes.

Q. And the...and this is a gob well production unit. So, there are a number of wells producing within the Buchanan 1...1---?

A. Yes.

Q. ---area, right?

A. Yes.

Q. Okay. And have you provided consistent with Exhibit E then revised Exhibits E in terms of whose money needs to be escrowed on a going forward basis and a revised Exhibit EE as well?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Shaver?

JEN SHAVER: Yes, Mr. Chairman. We would

request on this item as well for a continuance. The heirs...the Ernest Keen heirs, of course, they have requested a continuation to seek Counsel on this matter. We would request that this item moved to the April docket.

BUTCH LAMBERT: And why would they need Counsel?

JEN SHAVER: It is my understanding at this time that they are contesting the validity of these agreements.

BUTCH LAMBERT: I think last month when these folks were before the Board, they were claiming that they didn't sign the agreements. Is that still---?

JEN SHAVER: That is my understanding.

MARK SWARTZ: I guess my question is of the six individuals on Exhibit A, who is here today?

JEN SHAVER: We have Ralph Keen.

MARK SWARTZ: Well, he's not listed.

MARY QUILLEN: He's not on there.

BUTCH LAMBERT: He's not on the disbursement. We have Arnold Keen, Billy Ray Hale, Linda Hale Matney, Brenda Well and Carl Lee Hale. Is any of those folks here?

JEN SHAVER: No.

MARY QUILLEN: And Elizabeth Justus.

BUTCH LAMBERT: And Elizabeth Justus, I'm sorry.
Are any of those folks here?

JEN SHAVER: None of those individuals are here.

BUTCH LAMBERT: Okay.

SHARON PIGEON: So, this isn't about your
clients?

BUTCH LAMBERT: So, this disbursement is not
about your clients then?

JEN SHAVER: That would...yes.

BUTCH LAMBERT: Any further questions from the
Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: I think you should go ahead and
allow the disbursement.

BUTCH LAMBERT: Anything further, Ms. Shaver?

JEN SHAVER: No. No, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by

saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: I'll abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: Oh, I'm sorry. I apologize, David. I forgot. David had an important announcement and I forgot. Before we call this docket item, I think...Mr. Asbury, I think you have an announcement.

DAVID ASBURY: I do. Thank you, Mr. Chairman. Today is statewide for emergency preparedness. There's a statewide agency tornado drill. We did not do the drill physically this morning. But we wanted to make everyone aware of this. The rest of the building did participate in a tornado drill this morning at 9:45 a.m. It's part of preparedness. We've all witness some catastrophes over in Japan and things and how it's important to be prepared. If there were a tornado drill or if we had high winds or if we had a fire or something that would effect this meeting you would hear an alarm and you would be directed with us to go to a safe place

in the building. There are designated areas, hallways and other structures inside the building that we would direct us all and you would go with us to those locations. So, that's our...as far as doing an annual preparedness or a semi-annual preparedness drill that would occur today. If we do hear an alarm at any time, you would be directed with us to go to a safe in the building. We're familiar with those locations and we would all go together. Those would be things like a lock-down, if there was something going on in the community or in the building, a tornado drill specifically or a fire in the building. There are different plans that we have in place in the building for public meetings should that occur. I just wanted to make you familiar if something did. There is alarm and that there is a plan in place in the building with the Russell County Government Center and our Department of Mines, Minerals and Energy and we have cooperation with the local fire departments and rescue squads to handle any type of problems that may be arising in advance and during the event. So, thank you. I just wanted to make everyone aware of that. Today is our statewide agency tornado drill day. Thank you, Mr. Chairman.

MARY QUILLEN: I have just one comment. Would

it be possible a map posted of where those safe locations are in this building so that---?

BUTCH LAMBERT: Are in this room?

MARY QUILLEN: ---if people are not familiar with it?

DAVID ASBURY: There are...certainly. We will have those. We know where those are. The petitions...the larger room has the plan. When they petition the room it makes a difference. Yes, ma'am, we do.

MARY QUILLEN: Right. Right. Yes.

DAVID ASBURY: Thank you, Mr. Chairman.

BUTCH LAMBERT: Thank you, David. Calling item number ten on the docket. A petition from CNX Gas Company, LLC for creation of a 202.35 acre drilling unit and pooling for unit CC-38 for the drilling of horizontal coalbed wells, docket number VGOB-10-1019-2825. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz, Anita Duty and Jeremy Hayhurst.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, first of all, let's do some sort of housekeeping here. We were here, I think, in October if I'm not mistaken. October or November, right?

A. Yes.

Q. And this unit we created a drilling unit and we pooled it, correct?

A. Yes.

Q. And then we came back regarding some questions that the DGO had asked and the Board had asked with regard to...not the question of pooling and so forth, but the question of what was an appropriate drilling unit. Do you remember that?

A. Yes.

Q. And we were here and we testified with regard to that and we offered exhibits, correct?

A. Yes.

Q. And we're back here today because this was continued for further discussion and further attention with regard to what an appropriate size or

shape of a drilling unit would be, is that correct?

A. Yes.

Q. So, we have some limited things that we need to address today, but it's not a do over, at least as we understand it?

A. That's correct.

Q. But we needed to file a new notice of hearing and a new application because there were a bunch of additional people that needed to be aware of today's hearing because of the unit size changes the people that are in the unit change, correct?

A. Yes.

Q. Okay. So, let's talk about notice and let's talk about those sorts of things so that we can lay the jurisdictional predicate for that, okay.

A. All right.

Q. What did you do to notify people that we would have...that we were going to have a hearing today to address unit size?

A. We mailed by certified mail return receipt requested on February the 11th, 2011 and published the notice and location map in the Bluefield Daily Telegraph on February the 22nd, 2011.

Q. Okay. And when you mailed, did you mail

to everybody in the notice of hearing to blank?

A. Yes.

Q. Okay. And have you provided Mr. Asbury or the DGO with certificates with regard to mailing?

A. I have.

Q. And have you provided a proof publication as well?

A. Yes.

Q. And when you published, did you publish the notice and the little map Exhibit A-1, correct?

A. Yes.

Q. Which shows the bad attempt to drawing Mickey Mouse on a map, right?

A. Yes.

Q. Okay. All right. So, people at least had a sense of the geographic location of this proposed unit, right?

A. Yes.

Q. Okay. Have you revised some of the exhibits that would pertain to...as a result of changing the shape of the unit?

A. Yes.

Q. For example, the tract identifications would now pertain to a 202.35 acre unit in the shape

shown on the plat map, correct?

A. It does.

Q. Okay. So, you changed the tract IDs. I assume you have also changed Exhibit A, page two.

A. Yes.

Q. So, now with regard to the size and shape of this proposed unit, what is the applicant's interest in the unit?

A. We have acquired a 100% of the coal owner's claim to CBM and 68.6978% of the oil and gas claim. We are seeking to pool 31.3022% of the oil and gas claim.

Q. And the likewise, we would have a revised Exhibit B-3 that would tract the size and shape of the proposed unit and we would...and likewise we would have Exhibit E and probably a EE, although I'm not sure. No EE.

A. No.

Q. So, we still don't have an escrow requirement, correct...we still don't have split agreement, I'm sorry?

A. Right.

Q. But we still have considerable escrow requirements?

A. We do.

Q. Okay. And the...I assume that the cost estimates have not changed because the legs have not changed?

A. That's correct.

Q. Okay. And we were last here and when this was original...when this was originally pooled, we took four Oakwood units and put them together as a 320, correct?

A. Yes.

Q. And we suggested to the Board that they allocate production based on the feet of the producing legs in those various units, correct?

A. That's correct.

Q. And the reason that we came back was because Mr. Asbury raised the contention that he really couldn't do that?

A. Right.

Q. Okay. And when we came back, we provided the Board...I don't know what you have in your packet or not, but we provided the Board with comparisons of allocating on production by feet of the wells located in the unit and allocation of production by unit, which was...which would just be to take 25% of

the production and then an allocation where we adjusted the size of the unit to sort of give the Board an idea of how the percentage of the revenues that the people in the unit could receive, correct?

A. Yes.

Q. And now, obviously, we have allocated in Exhibit B-3 the revised exhibit that we have today. We have actually set forth the result of the allocation of production based on acreage in this newly sized and shaped unit, is that correct?

A. Yes.

MARK SWARTZ: Okay. That's all I have of Ms. Duty at this point.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: I have a couple, but I think they're going to go to---.

MARK SWARTZ: Okay.

BRUCE PRATHER: I've got a question, Mr. Chairman.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: We're presently in the process of figuring out what kind of units that we're going to need for horizontal wells. If the heart-shaped unit is

used down here, I can see that we're going to have stranded acreage everywhere. I don't see how you can feet the heart-shaped thing together. What we are looking at now as a Board or as a committee, we're looking at the possibility of running these units as rectangles and running out maybe...have them as small as 40 acres and maybe 80. Nothing has been determined yet. That's just thrown out. But anyway, what we might be able to do by rearranging these things in a rectangular fashion, we might be able to resolve your drainage problems that you have here with a different configuration. I mean, presently you're under the 320 provisional. I say, I would hate to adopt this in lieu of what is presently going on in the committee because what we're hoping to happen is that the industry as a large will come up with some sort of a consensus that will allow us to continue using our square system, which takes care of all stranded acreage.

MARK SWARTZ: Just to respond sort of to the concept that you're talking about. I have talked...I'm not on that working committee, but I think you are. But I talked to some folks this morning. Apparently, you've met once. I gathered from my discussions this morning, although I may...I wasn't there, you know, that the

focus has been on the deep gas in shale.

BRUCE PRATHER: Right.

MARK SWARTZ: The conventional production. So, I'm not sure that committee is addressing or has addressed the coalbed methane. So, I don't know. If it's only for the deep...you know, the shales, the deep gas---.

BRUCE PRATHER: Well, I was under the impression that we were...in other words, we were talking about six different formations. I'm talking about like the Big Lime and the Weir, etcetera. That we were going to use each one of these as separate units because then it would make it easier to keep track of. In other words, if you put one unit down and you put laterals going in all directions, you've got a problem. So, that's kind of what we had in mind. But, you know, I was not told that we were going to do anything to the CBM. But since there has not been anything done. I would assume we probably would have that prerogative. I would have to ask Mr. Lambert about that.

BUTCH LAMBERT: Yes. The committee was to look at all of these unusual shapes that we're now seeing and see how we can make everything standard to fit into more of a uniformed drilling pattern.

MARK SWARTZ: Well, then if we're going to be talking about CBM, and I'll get into this more with Jeremy when I get a chance, but, you know, just conceptionally CBM has some issues associated with it that are a little different than the conventional gas. One of the big ones is water. So, typically, these legs are going to be drilled up deep so that the water comes down and can be collected. So, you've got some limitations. You've also got some limitations in terms of the angle that can be accommodated. So, there are some physical limitations on CBM that you're not necessarily going to run into with conventional gas and creating a bunch of small units to not strand acreage and conventional may work. I don't know. I mean, it's an interesting idea. But I think there are some limitations. Jeremy will talk about it. The concern that we have and the reason that we've spent some additional time coming back to the Board and bringing Jeremy back and trying to give you an example of the drainage unit is there really is attention between being fair to royalty owners whose gas is actually being produced and then being fair to the surrounding owners to the extent that there's a concern that acreage is being stranded. That is really a policy decision that

you guys have to make. I think it's...you know, it's a policy decision that was made in the Nora field. It's a policy decision that was made in the Middle Ridge. It's a policy decision that was made in the Oakwood. What happens over time that we've really seen this in the Oakwood, for example. I mean, the Oakwood was created, if I'm not mistaken, in '90. So, we've got twenty some years of technology of increased data and so forth. I think we've all discovered that the Oakwood units were way too big. As long as the Board remains flexible as you have or the legislature, I suppose, but you know getting something out of legislature is a much bigger adventure than getting something out of you all. But, you know, there needs to be an understanding that technology changes. That things...you know, we weren't talking about these kinds of wells. These wells are not really...we're using Oakwood grids to kind of overlay it. But horizontal wells...CBM wells are not in the Oakwood Field. They're just not. So...I mean, what we're trying to address, you know, as an operator that obtains leases from oil and gas owners, you know, we owe them an obligation to size units in a way that protects their interest. What we were concerned about the last time we were here and the first time that we were here

was that the royalty interests of our lessors was being diluted to an unaccepted extent at least to us perhaps. So, our proposal today in sizing of this unit, I'm almost done, but is to address...is to give you an idea of what a unit should look like if your perimeter was drainage and your perimeter was the correlative...the most important thing to you was...policy decision to you was protecting the correlative rights of the people whose gas is actually being drained. This is...you know, eventually you will hear from Jeremy about that. But this is what a unit would look like that was predicated essentially on known drainage characteristics. Then the policy decision that you've got is...you know, is this the way to your piece on the scale for you.

BRUCE PRATHER: We have the state statutes that conform our problem.

MARK SWARTZ: I mean, I know that that committee...the other thing that I'm concerned about, which is a different issues, but I don't know how long it's going to take your committee to come up with a recommendation. I think six months a come back date.

BUTCH LAMBERT: A number thrown out.

MARK SWARTZ: And then the Board is going to

have to do something with it. I would really push back pretty hard and ask you to think about...make certain that you don't inadvertently impose some kind of drilling moratorium, you know, that you...that when you're meeting as a committee and perhaps reporting to the Board and the Board acting ultimately, you know, perhaps you can overlap your ultimate recommendations on preexisting units. I mean, I don't know. I mean, you could do that, I suppose.

BRUCE PRATHER: What I would suggest there is that we grandfather the preexisting units.

MARK SWARTZ: Okay. Okay.

BRUCE PRATHER: And then we start new. I mean, that's...that would be my basis.

MARK SWARTZ: Right. I just needed...I wanted to make sure that we weren't, you know, imposing by accident a drilling moratorium.

BRUCE PRATHER: Yeah. I mean, what I would like to do would be see what the committee comes up with and see what the application is. In other words, all of the industry representatives were going to take back the size of units that we were discussing and see how it applied to their acreage. So, on that basis, you know, maybe we could come up with something. The biggest

problem we've got is I don't care what the system is. Nothing is going to be perfect.

MARK SWARTZ: Right.

BRUCE PRATHER: I mean, if you're drilling these laterals and you can't drill out to the end of what you consider your unit, that's going to be stranded acreage. That's if you didn't get to it unless you could come back and put another well and start right at the end of it and continue. So, you know, none of these systems work perfect.

MARK SWARTZ: Right.

MARY QUILLEN: And one of the...at the committee meeting, one of the proposals that Mr. Prather had made and there were representatives from all of the producers there, engineers. There were petroleum engineers. There were geologists and so forth were going to take these back and do an overlay of just what you had just said to see what best fits their companies plans before there's any decision made. But that's...and one of the things that he did propose was smaller units when you said you got 80 acres. I think has been concern that people in this unit because it was a unit was being paid. Everybody in that unit was being paid even though they actually...there was no gas being produced from

their acreage. So, looking at smaller units and that's what he had proposed.

BRUCE PRATHER: Smaller the unit the more flexibility you've got with it.

MARY QUILLEN: Yeah. Uh-huh.

MARK SWARTZ: Right. And just comparing...I mean, talking about small units. I mean, when we were first here we had a 320 acre unit last fall, which is what concerned us---.

MARY QUILLEN: Right.

MARK SWARTZ: ---because the royalty was being diluted pretty dramatically.

MARY QUILLEN: Right.

MARK SWARTZ: You know, when Jeremy sizes a unit...and you'll hear from him eventually, but when he sizes this unit based on reasonable drainage perimeters he's at 202...I mean, is that acreage.

JEREMY HAYHURST: Yes.

MARK SWARTZ: You know, so we're basically a unit that's less than two-thirds the size. It's a dramatically smaller unit because the units...they were too big, you know, and we needed to do something---.

MARY QUILLEN: Right.

BRUCE PRATHER: Yeah. Exactly.

MARK SWARTZ: ---about that. So, I'm glad to hear about that. We're putting smaller pieces together.

BRUCE PRATHER: Yeah.

MARY QUILLEN: Right.

BRUCE PRATHER: Well, it gives you more flexibility.

MARK SWARTZ: Right.

BRUCE PRATHER: In other words, if we finally end up with 40s and say you stack four 40s and run your lateral that way, if you couldn't get out at the end of it, you'd cut that 40 in half and then add it to the next one up. So, it has a...it has a potential of leaving less stranded acreage than would be if we have something that's set in stone like your heart-shaped thing there. I mean, that would be hard to really make that thing conform to our statute that says there would be no stranded acreage. The other problem that we've got is that we have to be...have fair rulings as far as the surface and the royalty owners are concerned. The stranded acreage problem is where we come into it. That's where our problem would be. If we can come up with a system...like I said before, none of these systems are perfect, but we can found out maybe which one comes closes to meeting our needs and that's what

we'll probably come up with eventually.

MARK SWARTZ: Well, just looking at it from a royalty owner's standpoint too, if you look at...I mean, when we were first here, we were looking at three stacked units and one unit to the east. So, we had four units. If you look at the grid now on this map, we've got...it looks like we've got seven units instead of four with owners in them. So, I mean, there is a correlative rights issue as well as a drainage issue. It drives in a slightly different direction.

BRUCE PRATHER: It's not fair.

MARK SWARTZ: Right.

BRUCE PRATHER: But that's the way the statutes read right now...or rulings read.

MARK SWARTZ: You know, and then what I've...with your permission, what I would like to do is sort of move into Jeremy's analysis of what's going on underground in terms of, you know, giving you some more information with regard to these wells in the drainage pattern so that, you know, when you're looking at that, you can take that into consideration in terms of sizing a unit or in terms of configuring a unit to include additional owners or not include people that should really be in the unit either.

MARY QUILLEN: Right. Right.

MARK SWARTZ: I mean, it's cut all of three of those---.

BRUCE PRATHER: Will your representative be at the next meeting particularly regarding CBM units?

MARK SWARTZ: I don't know...I mean, if CBM is on the docket, somebody is going to be there I would imagine. He has to be invited though. But if---.

BRUCE PRATHER: Oh, no, I mean, anybody can show up as long as they're representing an industry.

BUTCH LAMBERT: Well, that's not exactly true.

BRUCE PRATHER: Well, not exactly.

MARY QUILLEN: No.

MARK SWARTZ: Yeah, I wasn't invited, for example.

BUTCH LAMBERT: We asked...we asked for folks to volunteer to serve on the committee from each...each company...well, from VOGA and-.

MARK SWARTZ: Right.

BUTCH LAMBERT: But I think someone...Mr. Kaiser wanted to send several people and we kind of wanted to limit it to eight, but you could bring in people as needed for discussion.

MARY QUILLEN: But there were representatives

there from CNX.

MARK SWARTZ: Right. I spoke to one of them this morning. We'll...you know, my assumption is we'll make sure that we have people there that make sense in terms of the issues being addressed to be a resource for the committee.

MARY QUILLEN: Right.

BRUCE PRATHER: Oh, yeah, absolutely.

BUTCH LAMBERT: Okay. Let's let...move forward and listen to the presentation.

JEREMY HAYHURST

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Jeremy, would you state your name for us, again, please?

A. Jeremy Hayhurst.

Q. And I'm going to remind you that you're still under oath.

A. Yes.

Q. I gave you a specific task for today,

right?

A. Yes.

Q. I asked you to design a unit for us, correct?

A. That's correct.

Q. And did you do that?

A. I did.

Q. Okay. And is it in the packet that Anita has passed out? Yeah, let's start with...if you look at A-1, which would be page three of the unit, is that a small version of the unit that you designed overlaid in the Oakwood Field and a map of a piece of Virginia?

A. That's correct.

Q. Okay. And is this map in there as well or---?

A. I don't have that in there.

MARK SWARTZ: Do you have this from last month's---?

BUTCH LAMBERT: We do. That's in our package, yes.

Q. Okay. And, Jeremy, let me show you, I gave this to the Board last month. We didn't really have a hearing, but apparently it has found its way into

their...is this a...Exhibit A, is that a map that you've prepared of the legs and the Oakwood overlay and the shape of the unit that you were proposing?

A. That's correct.

Q. Could you take a moment to tell the Board about your thought process in configuring a unit along the lines that you have and the data that you considered and used to make that configuration?

A. Yes. We currently don't have any horizontals in the P-11 seams. That's the seam...(inaudible). We had some horizontal wells in the Pocahontas 3 seam. I took the production data off of those wells and built a reservoir model showing the thickness and gas content, permeability. Actually, I history matched to get permeability because we don't stimulate these wells, I had to find the unknown so that was permeability. Then I took that model and that permeability and I converted it to match or model the P-11 seam. So, I took P-11s thickness and gas content, what I didn't know was permeability. So, I used the permeability of the P-3 seam and then I adjusted that up because even though we don't have a lot of permeability data in the Oakwood Field, we do know that there's permeability versus depth relationship. So, I increased

that permeability up from that permeability up from that point to show a representation of what we could see. Now, we I history match vertical wells because we don't know how much gas is coming out of each specific zones, I come up with an average permeability for all the seams combined. That average across the field is between three and four millidarcie. So, three and four millidarcie that's my average. That's every 2,000 feet. So, I figure if I put truncation point of like two millidarcie on the P-11 since it's fairly deep that I would capture the range of permeabilities that I would see in the P-11. So, the next slide shows...actually the P-50, which is the mid point of my permeability range that I used this shows disorb gas recovery every sixty-five years. So, you see you're getting some drainage out to the 750 foot limit, which is described in the unit Exhibit A-1. That was our P-50. Now, you're going to get a little further recovery and drainage depending on the permeability. So, you know, that was...the P-50 that was higher than the permeability from the P-3 seam and I thought that was a reasonable estimate on drainage in the area surrounding that well.

Q. The slide that you've been talking about

is page four of what the Board has?

A. That is correct.

Q. Okay. And if you could just take the color and sort of speak in terms of what's...what the colors represent.

A. The red is the highest recovery. In this model shows approximately 80% near the wellbore and then as you change the colors and getting down in the green you change the recovery percentage over that time frame. So, the nearest the wellbore, you get the most recovery in sixty-five years. Further out, you get to the green, which means there was no recovery at all from that area.

Q. So, basically yellow is the radiant between some recovery to no recovery?

A. That's correct.

Q. And working...it appears to me that the unit you ultimately draw on Exhibit A and it shows on Exhibit A-1 appears to be an attempt to draw what we're seeing on page four?

A. That's correct.

Q. What's your next...go ahead.

A. There's permeability differences in each direction in the coal seam. So, we make sure we drill

across the face plate, which is your highest permeability. So, we laid out CC-38 in that direction so that I modeled it in that direction so that it will capture the drainage in that higher permeability distance.

Q. And you've anticipated something that I was going to talk to you later, but let's just go there now. Are there some characteristics of coal that dictate how wells...horizontal wells should be oriented in coal seams that drive the direction of the legs, the length of the legs and have impacted on the shape and orientation of this unit and if so what are they?

A. Coal thickness played a big impact on the amount of legs and the length of the legs in this case in wells we've drilled up in Pennsylvania. We had issue staying in coal thinner than three feet. So, we put that limitation on this also. Then you also want to honor the face cleave direction and you also want to honor the depth. So, we drilled it up dip and across the face cleave in greater than three foot of coal. That was one our criteria on doing that.

Q. Is there any...from a technical standpoint or a geological standpoint is the angle between these legs driven by any data as well?

A. That angle there was just driven by the thickness. There has been a lot of modeling done over time on the optimum angle. But we really didn't have that opportunity to---.

Q. So, the angle here was just driven by thickness in this instance?

A. That's correct.

Q. Is...are both of these legs essentially updip in the coal?

A. That's correct.

Q. And why is that important?

A. For water drainage.

Q. Okay. You don't frac these, do you?

A. No.

Q. But you need to dewater them?

A. That's correct.

Q. And if the well itself isn't down dip, you're not going to dewater them?

A. That's correct.

Q. It's just---?

A. We've seen that impact up in Pennsylvania.

Q. Okay. What's your next slide here?

A. This shows the cumulative recovery. The

low case is the permeability that I matched from the Pocahontas seam. The middle case is the permeability that I used in my model here...my disorb gas recovery model. That gives a recovery of about 700 million cubic feet. Then I took a step above that and said what if I saw two millidarcie of permeability. I determine what the recovery would be at that perm number.

Q. So, essentially, to sort of recap and sum it up, your Exhibit A, your design of this unit, essentially tracks a drainage patter that you've created based on the assumptions that you've made and the data that you had available?

A. That's correct.

MARK SWARTZ: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Just a couple of comments. It would be helpful if you would include B for each one of these and also identify each one of your exhibits with a double letter.

BRUCE PRATHER: Mr. Chairman, I've got a question. Apparently, you have very little information on the number 11 seam. Is that correct? You haven't done very many of them?

JEREMY HAYHURST: Yeah. We don't have any

horizontal wells.

BRUCE PRATHER: So, you must have a thickness in excess of three feet, is that correct?

JEREMY HAYHURST: Yes.

BRUCE PRATHER: Have you drilled any wells into the 3 seam?

JEREMY HAYHURST: In the 3 seam?

BRUCE PRATHER: No, into 11. Excuse me.

JEREMY HAYHURST: Vertical wells---.

BRUCE PRATHER: Yeah.

JEREMY HAYHURST: ---but not horizontals.

BRUCE PRATHER: But do you get...do you get nature gas readings when you drill into that seam?

JEREMY HAYHURST: (Inaudible). I don't think they take thick readings.

BRUCE PRATHER: Well, I know, but you can still check the gas.

JEREMY HAYHURST: I'd have to ask the drill...the drilling guys in the field to see what kind of units they see when they drill through that.

BRUCE PRATHER: The thing about what you portraying here is you're taking one seam that's probably 500 foot above this one---.

JEREMY HAYHURST: It's shallower.

BRUCE PRATHER: Yeah. And the thing about it, you're putting a drainage pattern on these cleats that you're drilling perpendicular to. If you haven't done very much in the 11, then how can you be sure that that cleat pattern is the same for the 11 as it is for the 3?

JEREMY HAYHURST: There have been studies done by the Bureau of Mines that showed that over a certain area that cleat direction did not change and (inaudible) didn't change.

BRUCE PRATHER: Okay. I mean, the thing that's bothering me a little bit about this is you're talking about pretty good permeability. You're talking about two and three millidarcies instead of dants. I mean, I haven't drilled very many CBM wells. If I get that kind of permeability, I usually (inaudible) irregardless of where I drill.

JEREMY HAYHURST: We've got permeabilities of 20 millidarcie up in Pennsylvania. For the depth, this is probably realistic down here.

BRUCE PRATHER: Okay.

JEREMY HAYHURST: As you get into the shale horizons, you expect much lower than one millidarcie-.

BRUCE PRATHER: Yeah. Yeah.

JEREMY HAYHURST: ---into the nanadarcies.

BRUCE PRATHER: I mean, I have seen coal seams in Virginia that do make quite a bit of gas naturally. I mean, they're not these particular seams, but elsewhere.

JEREMY HAYHURST: Yeah.

MARY QUILLEN: Just one more question. Are your models based on your experience in Pennsylvania?

JEREMY HAYHURST: Virginia and Pennsylvania horizontally, but it's based on all data in Virginia. The examples that I gave earlier are from impacts that we've seen in Pennsylvania. So, we made changes to drill updip...to not make the same mistake that we did up there.

BRUCE PRATHER: I mean, I could understand that. Your water is draining down and you could pump it from the lowest elevation in the well is basically what you're talking about.

JEREMY HAYHURST: We actually do a production hole and an access hole.

BRUCE PRATHER: Yeah.

JEREMY HAYHURST: We have a dewatering well also that we pump the water up.

BRUCE PRATHER: Yeah.

JEREMY HAYHURST: We access from a different

point and drill horizontally.

BRUCE PRATHER: Yeah. Yeah.

BILL HARRIS: Mr. Chairman, let me...let me ask a question about the shape and positioning of this. You testified that the shape was based on the geology of what you expect to be underground. If the Board imposed some type of a more formal structure or more formal outline, I guess for the units, say a rectangle, if you were to drill next to this, would you expect the angle to be about the same. I'm wondering about a rectangle that actually parallels, not the sides of that but that would include your points in the base. You know, we've all looked at these units as being horizontal and vertically essentially. If everything were rotated at that angle, would that help or hinder you in future develop. In other words, if we said, well, this unit actually has to be...has to hit those 750 sides top and bottom or whatever. So, that will give you a rectangle that's...well, from your prospective in this...like this, if you were to continue that from a field, how would you see future drilling affected?

JEREMY HAYHURST: I don't see if being affected. We're probably not going to drill a significant amount of horizontal P-11 wells.

BILL HARRIS: If you drilled one adjacent to this or anything.

JEREMY HAYHURST: It depends what direction you drill it in. If you drill it in the same as math---.

BILL HARRIS: Okay.

JEREMY HAYHURST: ---you would see...you would see some acreage that isn't being drained. But due to rectangle being around it...is your focus on putting it around this whole unit or around each---?

BILL HARRIS: Well, my rectangle...what I did at first was to draw a rectangle that was parallel and perpendicular to the original field lines that were there. Then I thought, well, really this is a different animal and maybe we shouldn't be bound by that necessarily. So, what I did is to draw a rectangle that actually touched both sides of your V coming down across the base and across the top. So, there was a tight rectangle just around that. I thought now if that rectangle was 45 degrees off of what you're currently seeing, if that rectangular were repeated...you know, of course, I don't know if we could do a whole field like that or not, but I just wondered if you drilled another horizontal unit, you know, what the chance of...this is all hypothetical, what the chances of that fitting

within that rectangle.

JEREMY HAYHURST: And you would want to, I guess, limit any overlap. You don't want any overlap at all.

BILL HARRIS: Well, we're...again, stranded acreage. We're trying to propose a...I guess, some field rules for horizontal in this field that would not have stranded acreage.

JEREMY HAYHURST: I don't think there's any...unless you put rectangles around each leg individually---.

BILL HARRIS: Yeah.

JEREMY HAYHURST: ---I don't think you could put it around the whole unit itself.

BILL HARRIS: Well, what happened, of course, at the bottom where it's narrower my rectangle goes out significantly further than that. So, again, I'm trying to adhere, I guess, to a thought that we worked on that. It would be nice to have some kind of formal repeated structure that is contiguous so that...so that we don't have stranded acreage.

JEREMY HAYHURST: No, I mean, we might a drill a well to the south of this and it might...a leg might become parallel next to the well to the...on the right

side of the paper.

BILL HARRIS: Now, when you say south, do you mean down toward the lower right corner?

JEREMY HAYHURST: Yes.

BILL HARRIS: Southwest?

JEREMY HAYHURST: Yes. And if you have rectangle around that, then I would have overlapped with that rectangle. I can't visually---.

BILL HARRIS: Yeah.

JEREMY HAYHURST: ---picture the rectangle that you're picturing around this well, but---.

BILL HARRIS: Well, let me just show, if I might---.

MARY QUILLEN: One of the things that we have to consider is that if, you know, this isn't drilled before the adoption of the field rules that it has to conform to the field rules and it wouldn't be grandfathered in like the one that...you know, that you have already drilled. So, that would...you know, there would be some limitations there.

JEREMY HAYHURST: Most of the commission wells are going to be drilled single lateral, so you won't have this. We have to drill more footage because we don't stimulate...don't have the thickness to get an

economic well as they do in the conventional...
unconventional shales.

MARY QUILLEN: Using it single lateral you said?

JEREMY HAYHURST: Yes.

BRUCE PRATHER: Do you envision eventually that the well that you're using to drain the water well...in other words, you're drilling one well that's going to be your gas well and you've got one that's going to be a water draining well, is that correct?

JEREMY HAYHURST: Yes.

BRUCE PRATHER: Okay. Do you envision down the road that your water well will eventually become a gas well?

JEREMY HAYHURST: Well, it's a gas well...it will be a gas well when we first start producing. Water will be flowing up the tubing and the gas will be flowing up the (inaudible).

BRUCE PRATHER: Yeah, but you're measuring your gas out of your first well.

JEREMY HAYHURST: And we're measuring our gas out of our production hole. That access hole is essentially capped after we drill the well.

BRUCE PRATHER: Okay. Okay. Otherwise, I mean, if the...if the lateral to the right was going to be

always a water hole, then we wouldn't even have to consider that. All we could consider would be one of these, which would be the gas producing well from the horizon.

JEREMY HAYHURST: Yeah, I think...yeah. Yeah, we won't produce gas on both.

MARK SWARTZ: Well, you've turned your radius---.

MARY QUILLEN: So, evidently it will be lateral---.

BRUCE PRATHER: Yeah.

MARK SWARTZ: I mean, he has turned his radius off of the northern most well because of the production...that's where the production is.

BILL HARRIS: Let me just...playing with rectangles. See what I've done?

JEREMY HAYHURST: Uh-huh.

BILL HARRIS: So, you do have acreage here that, of course, is more than your 750 feet. But if this pattern were repeated without regard to the horizontal and vertical that's already there---?

JEREMY HAYHURST: Now, if it's---.

BILL HARRIS: ---and just continues on---?

JEREMY HAYHURST: If it's parallel to it, then

I---.

BILL HARRIS: Yes.

JEREMY HAYHURST: ---wouldn't see any issues. But if we can't get a location and we have to drill one down here, it could hurt you. But if we decide to drill one down here and that lateral comes up beside this one, then it would limit you on what you can drill based on thickness---.

BILL HARRIS: Yeah.

JEREMY HAYHURST: ---and your direction that you have to drill.

BILL HARRIS: Yeah. Because you don't know what's underground, okay. I'm just...I guess what I'm trying to do is to get some kind of a pattern that might be uniformed in that field. I'm not sure which is going to be---.

JEREMY HAYHURST: Uh-huh.

BILL HARRIS: (Inaudible). Thank you.

JEREMY HAYHURST: No problem.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: Mr. Chairman, thank you. I have one question. Most of the horizontal legs that you've drilled in other states, do they have a rule of capture or do they have gas well unitization?

JEREMY HAYHURST: Pennsylvania has the rule of capture. West Virginia you'd probably have to ask Mark.

MARK SWARTZ: The West Virginia wells are pooled.

DAVID ASBURY: In this shape?

MARK SWARTZ: Not...well, the ones that I've seen have been single wells because they've gone further. So, they don't look...there are some.

JEREMY HAYHURST: They were proposed in this shape, but then the Board took a map of ours and essentially drew their own units to...there was a theoretical pattern. It was the whole field laid out and they took our map and drew units around everything so they didn't leave stranded acreage.

DAVID ASBURY: What type of units did they draw?

JEREMY HAYHURST: It was irregular...every unit was irregular.

MARK SWARTZ: Just slightly different.

JEREMY HAYHURST: Yeah, it was slightly different. We proposed the 750 radius around these, but they had a different suggestion and they drew different around...nothing was similar.

SHARON PIGEON: But they were all rectangular or square?

MARK SWARTZ: No.

JEREMY HAYHURST: No.

MARK SWARTZ: None of them were square or rectangular. They were all radiuses of some sort.

BUTCH LAMBERT: Mr. Swartz, I think you can tell from the questions that we're really confused and we have a lot of concerns about this particular shape of this unit. What I would...certainly this Board does not want to put a moratorium on drilling. That's the furthest thing we want to do. But I would feel more comfortable if we gave the committee just a little bit more time to work and see what the industry and those other folks that are on that committee can come up with instead of telling you today, let's go ahead and approve this one and we see a rush on this kind of things until the committee gets their work done. I can tell from your posture that that's not a good option for you.

MARK SWARTZ: I---.

BUTCH LAMBERT: Well, here...I don't want to challenge Mr. Hayhurst at all, but, you know, we're only hearing one testimony here. If we had the committee...give them a chance to work from a group of experts than...maybe it turns out this way and if it does, that's all well and good from their recommendations.

But I would feel comfortable in letting that committee do a little bit of work and see what we can come up with. That would be my recommendation.

MARK SWARTZ: In that regard, could I request that we get back on your docket in 60 days or 90 at the most so that we're---

BUTCH LAMBERT: Oh, absolutely. Yes.

MARK SWARTZ: You know, so that we have sort of a goal.

BUTCH LAMBERT: Yes, absolutely. Mr. Asbury.

DAVID ASBURY: Mr. Chairman, maybe an option at this time, since it's a provisional unit, if CNX would prefer to go ahead with the drilling with these legs they would prefer to use the grid that we have in place as a provisional unit and that would allow them to proceed with the drilling and the production of the well until such time as the committee made its final recommendation.

MARK SWARTZ: We could certainly do that.

BUTCH LAMBERT: I see a lot of issues that that may bring up. Are you willing to do---?

MARK SWARTZ: Well, if we go with the original unit, the...so, if we go with this unit and we allocate production 25% to each of the units essentially---

DAVID ASBURY: That becomes...no.

MARK SWARTZ: Well, then how do we allocate the production?

BUTCH LAMBERT: See, that's the issues that's going to come up if we go forward with that idea too.

DAVID ASBURY: No. The recommend...the suggestion would be that they come back before the Board with the existing units. If they would like to proceed as a provisional unit, they could establish that whole area that Mark is presenting as a single unit and do the horizontal drilling and then based on our proportionate acres share of royalty payments instead of length of lateral, we go back to what our statute requires. Everyone in that unit shares on their proportionate acreage share of the total unit.

MARK SWARTZ: Okay. We're saying the same thing except he's not buying into the 25%. I mean, that's how this works and you're pushing back and saying that's the whole problem here. So, I'm prepared to go where he was, you know, but you're not prepared to bless that, I mean, is how I'm reading this because of the concerns. Is that an appropriate way to allocate production? I mean...so, I guess, we're back around to...since I'm dealing with...I mean, we could...we could work

something out, but I'm really dealing with the Board at the moment. So, if we can get a come back in 90 days so that you all have an opportunity for your working committee to do some more work and maybe be more comfortable with a solution, we can...we can do that---.

BUTCH LAMBERT: Okay.

MARK SWARTZ: ===without, you know, some kind of upset.

BUTCH LAMBERT: I would say that we could put this back on the docket in 90 days after we get...that will give the committee three more meetings and certainly they should be far down the road by then.

BRUCE PRATHER: Mr. Chairman, could I make a comment?

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: The one problem...I mean, we could put these things on paper. The big problem that I can see that we have going forward is in the event the company cannot drill the length of that lateral because of mechanical problems or something downhole that they can't drill it that far and that deep. That's when we start running into these overlaps or stranded acreage. We can pretty much...if made a big rectangle out of this thing, it would pretty much work. The big problem...I

mean, it's kind of like you don't know what's going to happen in the future. If these things don't go out the complete length of your lateral, then we're going to have stranded acreage out on the end of them. I can see that...I mean, it may occur and it may not.

MARK SWARTZ: You can't be massaging the boundaries down the road because what if your leg doesn't get to the guy that participated, are you going to tell him that he's out of the unit? I don't think so. You know, so...I mean, you know, we need to...we need to devise a plan for these units---.

BRUCE PRATHER: Yeah.

MARK SWARTZ: ---collectively that looks like it's reasonably fair taking into consideration all of the balls that you've got in the air and then go with that. Whether it's, you know, skewing a set of uniformed units on a 45 degree angle or it's something else or it's allowing units to overlap. I don't know what the solution is, but, you know, I since that, you know, what you're trying to get is what is a reasonable way to approach these complicated issues that gives a fair outcome to...to everybody and, you know, if you need another 90 days to...I assume that's what the committee is trying to do. If you need another 90 days

to get a little further along in the process, you know, we can...we can deal with that.

BUTCH LAMBERT: Can we continue this until June and that discussion that you just had with Mr. Prather is exactly the discussion that the committee needs to hear?

MARK SWARTZ: That would be great.

BRUCE PRATHER: Could we make sure you have a CBM representative at the next Board meeting?

MARK SWARTZ: We're listening to you all. My recommendation...I don't...you know, I'm not the boss of CNX. I can only tell them that, you know, it would be a good idea if you did something, you know. So, I will send that message, yes. Yes.

BRUCE PRATHER: I'd appreciate it. Thank you.

MARK SWARTZ: You may say Jeremy.

BUTCH LAMBERT: So, that docket item will be continued until June.

MARK SWARTZ: Okay. I think Mr. Kaiser up next.

BUTCH LAMBERT: And we're calling item number eleven, a petition from EQT Production Company for the establishment of a 480 drilling unit for the drilling of horizontal conventional gas well. This is docket number VGOB-11-0125-2898. All parties wishing to testify,

please come forward.

JIM KAISER: Mr. Chairman and Board members, EQT...Jim Kaiser representing EQT Production Company. We'd ask at this time that this petition be withdrawn from the docket.

BUTCH LAMBERT: That item will be withdrawn. Moving to item thirteen.

TIM SCOTT: Mr. Chairman, Mr. Kaiser has requested to go ahead of us so that he doesn't have to hang around after lunch and I agree. It will be item number fourteen.

JIM KAISER: Right.

BUTCH LAMBERT: Sixteen?

TIM SCOTT: Fourteen.

JIM KAISER: Fourteen.

TIM SCOTT: Yes, sir.

JIM KAISER: And, Mr. Chairman, we're going to ask that item fifteen be continued. Range Resources is going to ask that item fifteen be continued until April.

BUTCH LAMBERT: April?

JIM KAISER: Yeah.

BUTCH LAMBERT: Docket item number fifteen, a petition from Range Resources-Pine Mountain, Inc. for the establishment of a 320 acre provisional drilling

unit RR2917 for the drilling or horizontal conventional gas well, docket number VGOB-11-0315-2917 will be continued until April. We're calling docket item number fourteen. A petition from Range Resources-Pine Mountain, Inc. for the establishment of a 320 acre provisional drilling unit RR2916 for the drilling of a horizontal conventional gas well, docket number VGOB-11-0315-2916. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Phil Horn and Gas Jansen for Range Resources-Pine Mountain.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

(Phil Horn and Gus Jansen are duly sworn.)

BUTCH LAMBERT: Now, you may proceed, Mr. Kaiser.

JIM KAISER: Thank you.

PHIL HORN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Horn, could you state your name for the record, who you're employed by and in what capacity?

A. My name is Phil Horn. I'm land manager for Range Resources-Pine Mountain, Inc. One of my job descriptions is to try to get these wells permitted and drilled.

Q. And would it be your testimony that all parties...that being all oil, gas and coal owners have been notified of this hearing as required by statute?

A. Yes, that's correct.

Q. And I'm passing you our Exhibit B and the green cards for this unit. Could you confirm that everyone has received notice?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?
(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

GUS JANSEN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Jansen, if you'd state your name for

the record, who you're employed by and in what capacity?

A. Yes, my name is Gus Jansen. I'm employed by Range Resources-Pine Mountain, Inc. as the manager of geology.

Q. And you've testified before the Virginia Gas and Oil Board on numerous occasions as to the establishment of provisional drilling units for the drilling of conventional horizontal gas wells?

A. That is correct.

Q. And have you prepared a handout today to illustrate your testimony?

A. Yes, I have.

Q. Would you go through that for the Board at this time?

A. Yes. If the Board will refer to Exhibit AA, which is the first page, you'll see the proposed unit that we're seeking today as a provisional unit identified as Range 29-16. It will be the unit in the red dashed line. The map also depicts the offsetting horizontal units that have been previously approved by the Board to date. We're continuing to see additional units in this northwestern area to continue to test and identify various formations for future development. At this point in time, this area to the northwest is a

significant step out from our previous drilling, which has occurred primarily in the Dickenson County area to the southwest. This will, again, allow us to continue to define these additional areas to progress our horizontal development.

Page two is Exhibit BB, again, this is a representation of the units that we have gotten in the past. Again, these are the 320 acre square units, which allow us for a maximum diagonal of 4,431 feet and the dimensions are shown on the unit as well as the 300 foot setback. Again, these are designed to provide for flexibility to accommodating and testing in various formations with the multitude of geologic structures as well as geologic characteristics.

Page three, Exhibit CC, again, it talks about some of the requirements as part of the horizontal drilling that we're proposing. The first item there, again, represents the unit, the 320 acre square unit, and the following ones are the additional criteria that we've employed to facilitate planned horizontal drilling. Each of the units has a 300 foot interior window with a 600 foot standoff from adjacent grid horizontal wellbores producing from the same horizon. This is in there to protect the correlative rights of our

offsetting units. We also have a requirement for a 600 foot distance between horizontal wellbore and any vertical wellbore that may be producing from the same horizon. The unit allows for multiple wells and/or laterals for maximum drainage in all conventional reservoirs. We also would be able to drill surface locations inside or outside of the unit so long as the production comes from within the unit as laid out.

Exhibit DD, the next page, is a typical...is a typical horizontal well plan. Again, the horizontal well drilling will be subjected to the current Virginia Division of Gas and Oil casing requirements similar to vertical wells. The attached plan is an example of a Lower Huron well. You will see the various types of casing strings that would be employed including a surface casing, which would protect the fresh water zone. We also have a coal protection zone in there...or coal protection casing to protect the coal seams in the area as well as production casing to facilitate the completion of the well.

Finally, the last page, it sort of summarizes the benefits that we see from the horizontal drilling in Southwest Virginia. Again, we've talked about the working interest owners and royalty owners and the

county will benefit from maximizing production. We've testified in the past that vertical wells typically in...for example, in the Lower Huron shale formation are not economic by themselves. This is a way to extract that resource and maximize that production. The horizontal drilling will promote the conservation of the gas resource and prevent waste more effectively extracting this resource. By drilling these horizontal laterals, we'll be able to get underneath areas that are otherwise inaccessible from the surface to again maximize the resource. We feel like we will have less impact on the coal by clustering wells on a pad and being able to use multiple locations...drill holes on a single pad. This would also result in a potential...less potential surface disturbance. Again, the allowed square units that we've proposed in the past does allow for no stranded acreage.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: Well, maybe just one quick informational question, I guess, of Mr. Horn.

PHIL HORN

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. KAISER:

Q. Mr. Horn, would this...the acreage for this proposed unit, would it be acreage that Range Resources-Pine Mountain acquired from Chesapeake Appalachia?

A. That's correct.

BUTCH LAMBERT: Anything further from the Board?

BRUCE PRATHER: I've just got a comment, Mr. Chairman.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I see that in your Exhibit CC you say you're 600 feet from any horizontal wellbore and any vertical well producing seam horizon. How did you come up with the 600 feet?

GUS JANSEN: That was...sort of when these horizontal units were first proposed in the early meetings that we had with the Division of Gas and Oil, the 600 feet sort of came from the 300 foot setback that you would have had in both units and that's what---.

BUTCH LAMBERT: On both units.

GUS JANSEN: ---helped defined the 600 foot

setback.

BRUCE PRATHER: The one thing about it is that (inaudible) maybe even having it a little further than that to take advantage of potential zones up in the shallow horizon in your seven inch. In the event your horizontal wells don't work out, you've got that to fall back on. When you're drilling wells right on top of other conventional wells, 200 foot away there's not a possibility of anything up the hole that's going to benefit you. You know, I just...that's my pet peeve.

GUS JANSEN: That is a plan and consideration that we take into account and we try to have that as a fall back position in most cases that we have the opportunity and we've come before the Board in the past to actually convert some horizontal wells back to a vertical well---.

BRUCE PRATHER: Yeah. Okay.

GUS JANSEN: ---to maximize that production.

BRUCE PRATHER: Yeah. Thank you.

BUTCH LAMBERT: Any further discussion from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second.
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you.

BUTCH LAMBERT: (Inaudible) for lunch.

JIM KAISER: Sir?

BUTCH LAMBERT: I was asking Mr. Scott if...are yours the next one, Mr. Scott?

BRUCE PRATHER: What was thirteen? Is that the one that we haven't---?

MARY QUILLEN: That's Mr. Scott's.

BUTCH LAMBERT: That's Mr. Scott's.

PHIL HORN: We skipped it.

MARY QUILLEN: Yeah.

BRUCE PRATHER: Okay.

JIM KAISER: Do you want to do thirteen and then

CNX?

TIM SCOTT: I'll do whatever you want to do.

BUTCH LAMBERT: Well, we...I have five minutes until noon. So, we'll go ahead and break for lunch and we'll resume at 1:00 o'clock.

(Lunch.)

BUTCH LAMBERT: It's 1:00 o'clock. It's time for us to resume our proceedings. At this time, we're calling docket item thirteen, a petition from Range Resources-Pine Mountain, Inc. for the establishment of a drilling unit and pooling for conventional gas well V-530300, docket number VGOB-11-0215-2915. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn and Jerry Compton for Range Resources-Pine Mountain, Inc.

(Jerry Compton is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you.

PHIL HORN

having been duly sworn, was examined and testified as

follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name, by whom you're employed and what your job description is?

A. My name is Phil Horn. I'm land manager for Range Resources-Pine Mountain, Inc.

Q. Are you familiar with this application?

A. Yes, I am.

Q. And this unit is subjected to statewide spacing, is that correct?

A. That's correct.

Q. So, it contains a 112.69 acres, is that also correct?

A. Correct.

Q. Range Resources has drilling rights in this unit, is that right?

A. That's right.

Q. Now, we have one respondent, correct?

A. That's correct.

Q. And we're not going to dismiss him today, is that right?

A. That's correct.

Q. Okay. Have you attempted to reach an agreement with him?

A. Yes, we have.

Q. What percentage of the unit does Range Resources have under lease presently?

A. 96.26%.

Q. And how would notice of this hearing provided to the parties listed on Exhibit B?

A. By certified mail and also it was published in the Dickenson Star on February 18, 2011.

Q. Now, this was continued from last month, right?

A. That's right.

Q. Because we had a publication issue, is that right?

A. Yes. The paper didn't publish it.

Q. And we don't have any unknown owners, is that right?

A. That's correct.

Q. And we have no conflicting interest because it's a conventional unit. So, we don't have any...we don't have any need for an escrow, is that right?

A. That's correct.

Q. Now, we filed a proof publication and mail certification with the Board, is that correct?

A. Yes, you have.

Q. And Range Resources is authorized to conduct business in the Commonwealth?

A. That's correct.

Q. And a blanket bond is currently on file, is that right?

A. That's correct.

Q. Now, if you were to reach an agreement with Mr. Ball, what terms would you offer him?

A. Twenty-five dollars per acre sign on bonus for a five year lease that provides for a one-eighth royalty.

Q. Okay. Do you think this is fair compensation for a lease?

A. Yes, I do.

Q. And, again, we have one respondent. What's the percentage of the oil and gas estate that we're seeking to pool here today?

A. 3.74%.

Q. Now, if...any order that would be entered by the Board has certain elections that are provided to the respondents, is that right?

A. That's correct.

Q. And if those elections are made, what would be the address that would be used?

A. They need to send them to me, Phil Horn, Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212.

Q. And that would be for all correspondence?

A. That's correct.

Q. So, you're asking the Board to pool the parties listed...the parties respondent listed on Exhibit B-3, is that correct?

A. That's correct.

TIM SCOTT: That's all I have for Mr. Horn.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

GUS JANSEN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, would you please state your

name, by whom you're employed and your job description?

A. My name is Gus Jansen. I'm employed by Range Resources-Pine Mountain as the manager of geology.

Q. Are you familiar with this application, is that right?

A. That is correct.

Q. And what's the total depth of this proposed well?

A. The proposed depth of the well is 5,308 feet.

Q. And the estimated reserves?

A. 350 million cubic feet of gas.

Q. I believe you also participated in the preparation of the AFE that was submitted, is that right?

A. That is correct.

Q. So, you're familiar with the well costs?

A. I am.

Q. What's the submitted dry hole costs of this well?

A. \$276,513.

Q. And the completed well costs?

A. \$502,412.

Q. As I asked earlier, we submitted the AFE

that was signed to all parties before...with our application, is that right?

A. That is correct.

Q. And does the AFE include a charge for supervision?

A. Yes, it does.

Q. And that's a reasonable charge, in your opinion?

A. Yes, it is.

Q. So, in your opinion, if this application is granted, it will protect the correlative rights, prevent waste and promote conservation, is that right?

A. That is correct.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott.

TIM SCOTT: Thank you.

BUTCH LAMBERT: Okay, ladies and gentlemen, due to scheduling conflicts, we're going to adjust the docket a little further. We're going to be calling docket item number twenty-seven, which is a petition from CNX Gas Company, LLC for pooling of unit J-74, docket number VGOB-11-015-2929. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, could you state your name for us,

please?

A. Anita Duty.

Q. And I'm going to remind you that you're still under oath.

A. Okay.

Q. Who do you work for?

A. CNX Land Resources.

Q. And this is a pooling application, correct?

A. Yes.

Q. And it is a unit in the Nora Field?

A. It is.

Q. How many acres?

A. 58.65.

Q. Okay. And what did you do to advise people that we would be having a hearing today?

A. I mailed by certified mail return receipt requested on February the 11th and published the notice and location map in the Bluefield Daily Telegraph on February the 22nd.

Q. And have you filed your certificates with regard to mailing and your proof of publication with Mr. Asbury's office or are you about to?

A. Yes.

Q. Okay. And when it was published in the paper, what appeared in the paper?

A. The notice and location map.

Q. Okay. We have a list of respondents in the notice of hearing and then also in Exhibit B-3. Do you want to add anybody to that list today?

A. No.

Q. Do you want to dismiss anyone?

A. No.

Q. The applicant is CNX Gas, correct?

A. Yes.

Q. Is the applicant a Virginia Limited Liability Company?

A. It is.

Q. Is it registered to do business in the Commonwealth?

A. Yes.

Q. Has it registered with the DMME?

A. It has.

Q. Does it have a blanket bond on file?

A. Yes.

Q. And who is it that the applicant is requesting be the designated operator if this pooling application is approved?

A. CNX Gas Company.

Q. Okay. What interest has the applicant acquired and what is it that it's seeking to pool?

A. We've acquired 100% of the coal owner's claim to CBM, 92.6808% of the oil and gas owner's claim and we're seeking to pool 7.3192% of the oil and gas claim.

Q. Okay. Have you provided a...any information with regard to the proposed well?

A. Yes.

Q. And in that regard, first, is it shown on the plat map?

A. Yes.

Q. And it's within the drilling window, is that correct?

A. Yes.

Q. Okay. Is it a frac well?

A. Yes.

Q. And what's the cost estimate with regard to this well?

A. \$234,408.03.

Q. And does it have a permit number?

A. \$11,175.

Q. And what's the total depth?

A. 2,153 feet.

Q. Is escrow required here?

A. Yes, for Tract 2.

Q. Is that the result of conflict?

A. Yes.

Q. And everybody is accounted for in terms of addresses and names?

A. Yes.

Q. Are there any split agreements?

A. No.

Q. Is it your opinion that drilling a frac well in this Nora unit is a reasonable way to produce the coalbed methane?

A. Yes.

Q. Is it your opinion that combining a pooling order pooling the respondents with the leasing and acquisition efforts of CNX Gas Company will indeed protect the correlatives rights of all owners and claimants?

A. Yes.

Q. What are the lease terms that you would offer and continue to offer to the respondents here?

A. Five dollars per acre per year with a five year paid up term and a one-eighth royalty.

MARK SWARTZ: I think that's all I have, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

BRUCE PRATHER: Mr. Chairman, I've got a question please.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: Our narrative says that... reflects that GeoMet Operating Company owns or has under lease 100% of the coal estate or 58.65. Do you have a sublease from GeoMet. Is that what we're working under?

ANITA DUTY: I think you may be looking at the wrong.

BRUCE PRATHER: Twenty-seven.

MARY QUILLEN: Yeah, that's what it has in our---.

BRUCE PRATHER: Narrative.

MARY QUILLEN: ---narrative.

BRUCE PRATHER: It says...the narrative reflects GeoMet Operating owns and has owned or leased 100% of the coal and 92% of the gas estate.

DAVID ASBURY: That's our mistake, Mr. Prather.

BRUCE PRATHER: Oh, that's yours. Okay.

MARK SWARTZ: Nobody gives that to us. That's secret. That's why we were confused.

BRUCE PRATHER: I am too. Okay.

SHARON PIGEON: We have it and we're confused.

BRUCE PRATHER: Okay. Thank you.

BUTCH LAMBERT: Any other questions from the Board?

SHARON PIGEON: Did you say this was in the drilling window?

ANITA DUTY: Yes.

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: I'll abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Calling docket item twenty-eight, a petition from CNX

Gas Company, LLC for modification of an Oakwood I Field Rules to allow for more than one coalbed gas well to be drilled within each of the 80 acre units identified, docket number VGOB-93-216-0325-23. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty and Jeremy Hayhurst. We've got some exhibits.

(Exhibits are passed out.)

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you need to state your name for me.

A. Anita Duty.

Q. I'll remind that you're still under oath. Do you understand that?

A. Yes.

Q. Okay. Who do you work for?

A. CNX Land Resources.

Q. I'm going to cover some jurisdictional issues with you. This is an application to modify the Oakwood I Field Rules with regard to some units that you've identified by number, right?

A. Yes.

Q. And the point of this would be to allow operators to drill more than one well in each of these units?

A. Yes.

Q. A total of two, correct?

A. Yes.

Q. Okay. And in order to advise people who might have an interest in these units that there was going to be a hearing today, what did you do in that regard?

A. I mailed by certified mail return receipt requested on February the 11th and published the notice and location map in the Bluefield Daily Telegraph on February the 22nd.

Q. Okay. And have you provided or are you about to provide your certificates with regard to mailing and proof publication to Mr. Asbury?

A. I have.

Q. Okay. And when you published, was the

notice published as well as the map sort of overlying the units that were going to be affected on a portion of a map of the Commonwealth of Virginia?

A. Yes.

Q. Okay. Do you want to add any folks to the list of respondents that you listed in the notice of hearing?

A. Yeah.

Q. Do you want to dismiss any?

A. No.

Q. Okay. Did you provide in your application sort of a metes and bounds boundary of these units according to the Virginia State Plane Coordinates?

A. Yes.

Q. And you've also listed them by name as units within the Oakwood Field?

A. Yes.

Q. And the first collection totals how many acres?

A. 1,039.4.

Q. And then the second group totals?

A. 320.3.

Q. And with regard to the details of the second...of the locations and so forth with regard to

the second well, in the past we have asked that the order reflect that they be set off by at least I think it's 600 feet, is that right?

A. Yes.

Q. And that the second well must be in the drilling window, is that correct?

A. Yes.

Q. And you're requesting that both of those restrictions be in any order approving this application?

A. Yes.

MARK SWARTZ: That's all I have of Anita.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Swartz.

JEREMY HAYHURST

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Jeremy, you need to state your name for us, again.

A. Jeremy Hayhurst.

Q. You're kind of getting a work out today.

A. Yes.

Q. Okay, good. And we've heard your qualifications earlier today. Just to recap, you're a graduate. You have an undergraduate degree and a Master's Degree, correct?

A. That's correct.

Q. And you've worked for, I think, seven and a half years for CNX?

A. That's correct.

Q. And your role for them is what?

A. Supervisor of reservoir engineering.

Q. And that's at the present time. Before that, what did you do?

A. Just reservoir engineer.

Q. Okay. Have you put together a packet of exhibits for the Board with regard to this request for some additional infill units?

A. Yes.

Q. Obviously, the first page is the title, right? And have you...have you attempted to actual results of other wells that you've drilled in Oakwood...in Oakwood units?

A. That's correct.

Q. Okay. And have you used that data in preparing some of the additional pages of this report?

A. Yes.

Q. Okay. If you could, would you summarize for the Board what you did to develop the information that you're sharing with them and what you found as a result of your efforts?

A. What I did was took wells in the vicinity of the wells surrounding it proposing to drill a second infill well...or an infill well in the unit. I looked at the original well and I did an average. So, I took that average and I put it in my reservoir model and ran simulations taking into account gas contents and coal thickness. I history matched to get the perm. Then I also put a second well in the unit, you know, at a point in time and it would be different based on the well that you're looking at. But, you know, specifically what I did here was like five years in advance after that original well was drilled. So, I wanted to see what initial recovery a single well in the unit would get and what an additional well in the unit would get and see what the delta would be. Each bore shows the averages that I came up with for the wells in the vicinity. The blue are infill wells in that area and the red are some of the original wells in the unit surrounding the units we're coming to the Board today

for.

Q. Before we move off of page four, I'm assuming that you have somehow time adjusted the production to get it back to a common starting point?

A. That is correct.

Q. And the red line is the original well?

A. That is correct.

Q. So, if we were to look at month one...you know, month one to four we would see where the original well came in, right?

A. Yes.

Q. And if we compare that to where the collection of infill wells come in, it's obvious that it came in a little bit better?

A. That's correct.

Q. And indeed continue up on a different... on a different projectory than the original wells, correct?

A. That's correct.

Q. And does this graph, in your opinion, show an affect on the original wells that is driven by the second well?

A. Yes. If you look at around months thirty-seven, which is the distance between your...the

end of your blue line, which is your infill curve and the end of your red line at the end of your chart. So, that delta there is 30 months. So, if you go to...it's actually 35 months. If you go to 30 months into your original well's life and you look from there forward, you actually saw an impact of about 17 mcf a day, which is, you know, approximately 500 million cubic feet for the month. So, we saw an impact due to drilling the infill well. The infill well was higher because we were mostly dewatering already and we accelerated that dewatering portion. We accelerated the desorption.

Q. And also it looks like your curve may have been enhanced on the...on the initial well as well?

A. Yes.

Q. Okay. These go out to your infill line. Basically, it's about...it goes out to about 8 years. A little over...a little over 8 years, a 106 months.

A. That's correct.

Q. All right. The next chart, number five, what...what do we see here?

A. This shows the reserves we would have gotten if we had only drilled one well in the unit and that is 860 million cubic feet.

Q. Also, I'm interested...you've

got...actually, you have two lines on here.

A. Yeah, the blue one is the actual production and the red one is the simulated production from the well in the unit. So, it was history matched to get to that production.

Q. Okay. And, obviously, you've got the matching and you're going out a 100 months. So, about eight years.

A. That's correct.

Q. And they agree pretty well here?

A. That's correct.

Q. Okay. Go ahead to...I think there's a separate sheet. I don't know if it was...your last sheet is...what are we showing here, Jeremy?

A. This shows a well drilled...an original well in the unit, which is the red curve. Then if you wait and drill a second well in the unit five years later, the additional cumulative volume that you would get from drilling that second well as opposed to just having one well in the unit and that two well cumulative reserve came up to 1.150 million cubic feet or 1.150 bcf or a 1150 mmcf. The incremental reserves that we get from drilling an additional well is 290 million cubic feet of gas.

Q. Actually, if we sort of look at page six and we back that up, if we go to 500 months, we've already got that...essentially that incremental difference?

A. That's correct.

Q. So, roughly 40 years or 45 years into it we've achieved---?

A. Yes.

Q. ---that goal?

A. Yes.

MARK SWARTZ: I think that's all I have, Mr. Chairman.

BUTCH LAMBERT: Mr. Hayhurst, let me...let me back you up to sheet number two of your exhibits. What do you...what do you mean by results for a 40 acre infill well? We're drilling in 80 acre Oakwood---.

JEREMY HAYHURST: When we do---.

BUTCH LAMBERT: Are you splitting the unit and saying one in one and one in the other? But is that actually what you're doing?

JEREMY HAYHURST: When we put two wells in the unit, internally we call it a 40 acre well. Essentially what you're...it's just terminology. It's just a second well in the unit. That's what we were looking at.

BUTCH LAMBERT: I understand, but is that actually what you're doing when you...because we looked at one earlier where both wells could have been in the half...one-half of the unit, the 40 acres. So, I guess, you actually don't mean what you're saying here.

JEREMY HAYHURST: That's correct. I mean, two wells in the unit, 80 acres, it's...I mean, we just divide it by two. But there is some issues in putting wells optimum and it's just based on topography and land.

BUTCH LAMBERT: Okay. That leads me to my next question. Don't really figure where you're going to place that well based upon your location and...well, let me ask that another way. Is the location the driver for where you're going to put that well, terrain location and how easily you can access that area or is there some other logic you use for where you're going to drill that well?

JEREMY HAYHURST: It's mostly land and where we can acquire a site.

BUTCH LAMBERT: Okay. Then that leads me over to page four on your graph. I think we heard you testify this morning that infill wells you always saw...we saw...you were expecting an increase in both

wells over at least a five year period. At month 10, your second well drops off sharply. At month 136, your first well takes a nosedive.

JEREMY HAYHURST: This morning I said you would see an increase from one to three years and then you would see a flat period from three to five.

BUTCH LAMBERT: Well---.

JEREMY HAYHURST: It changes by area.

BUTCH LAMBERT: In your model then that you said that you've run, how do you account for those drastic declines all at once? How did you model that to come up with this graph?

JEREMY HAYHURST: It's just a function of (inaudible) therm and how the wells all produce commingled together.

BUTCH LAMBERT: What would be your prediction month 140 for your first well, still a sharp decline like that?

JEREMY HAYHURST: For your first well?

BUTCH LAMBERT: Yes.

JEREMY HAYHURST: Well, this...I mean, this is an average of everything no matter...the well count doesn't change. I didn't truncate it at 50%. Typically, when we do type of curves for areas, we

truncate it at 50% because maybe some of your original wells were a little better than the wells that you drilled later on in that area. You know, several wells went into this over a wide range just so I get, you know, a enough production history.

BUTCH LAMBERT: I understand and that leads more to my question why it's more important. How come the sharp decline in month 136? If you're...if this is an average over all of your wells than why would one more infill well...why would that make such a difference in these sharp dropoffs? That leads me to the question that I have on page five where you're showing a dramatic increase in your curve all the way through month 800 and it's still rising, which kind of contradicts to me your graph on page four.

JEREMY HAYHURST: Well, this...page five is cumulative. So, you expect that to go up every time.

BUTCH LAMBERT: Page four, you told me just now was cumulative, an average of all of your wells.

JEREMY HAYHURST: No, that's an actual...that's the actual profile of the well.

BRUCE PRATHER: What exactly does that decline here represent? What does that represent?

JEREMY HAYHURST: That's just a single well.

The well that produced the longest was producing down there. This is a bunch of wells in an average. I don't truncate it---.

BRUCE PRATHER: If that only represents one well and the rest of this represents a lot of wells---.

JEREMY HAYHURST: Exactly.

BRUCE PRATHER: ---then I wouldn't put that one there. You're confusing us.

JEREMY HAYHURST: Well, it's average. I didn't leave any wells out or truncate it at 50%. So...or truncate it at a certain well count. So, this is showing every well and that decline is just based on...there's one well in that average that is lower in month 130.

BRUCE PRATHER: I mean...but you're doing an average overall on that decline curve there. So, why would this one well make it curve and draw 50% at the end of the---.

BUTCH LAMBERT: Did it go dry and mess up your average or what happened?

JEREMY HAYHURST: It just wasn't as good of a producer.

BRUCE PRATHER: If you put that on your decline curve here, you're declining every well that you've got

in that profile by 50%.

JEREMY HAYHURST: I don't include that point when I'm doing my history match. I only do it through 50%.

BRUCE PRATHER: I understand that, but the information that you're giving us shows there's a 50% drop...decline in production. I mean, do really mean that or not?

MARY QUILLEN: Is this on---?

JEREMY HAYHURST: It's just an average. I don't use all of that out there to the end when I doing my history match.

BILL HARRIS: Yeah. There was a book written years ago called How to Lie with Statistics. I'm not saying...I'm certainly not...don't get me wrong. I'm certainly not saying...but probably more representative would be to end this at a 130 months.

JEREMY HAYHURST: That's correct. But I wanted to show you all the information that I had.

BILL HARRIS: Then you wouldn't see that data out there that's confusing everything. I do have one other question about that.

BUTCH LAMBERT: Mr. Harris. I notice that when we've gotten these before, they always time shift the

second well going on line back to zero. I'm not sure if that does everything justice because when you look at the original well and show a little bit of a decline and then you start to show it start to go up again with that other one overlapping, I think if it were on line what 20 months later or 30 months later, I think you would really see where...the benefit of that second one is. It's sort of masked here when you do that.

JEREMY HAYHURST: I could show that.

BILL HARRIS: But I think others have come before us and have time shifted that second well going on line back to zero and it leads to a little bit of confusion because you're thinking where...visually where is the benefit in that. It's just a suggestion.

MARY QUILLEN: I have just a question. You said...is this an average...actually the average of the wells that you have currently operating or this a statistical model?

JEREMY HAYHURST: This is an average of the exact production for the wells...around these wells that we're trying to get approval on.

BRUCE PRATHER: Mr. Chairman, I've got another question.

BUTCH LAMBERT: Mr. Prather. On your infill

wells, average original versus infill, if you look at this curve here you can see this thing right in here and it went up a little. But this thing is on a decline. If I was looking at that thing, I could decline that thing down quite a bit. Now, what I was going to ask you was about two years ago we had a reservoir in here and he had essentially the same thing you've done here except one thing. Out past his known control two years he put a decline in on thing was about 3% and that made the thing work for what his company wanted the things to represent. I assume that you're not going to do that because it's on this curve. I mean, as far as I'm concerned it's going downhill pretty fast.

JEREMY HAYHURST: Yeah, it's going downhill, but you're just seeing part of the hyperbolic decline---.

BRUCE PRATHER: Yeah. I agree with that. But it is---.

JEREMY HAYHURST: ---which it's called a curve out---.

BRUCE PRATHER: ---it is a established decline.

JEREMY HAYHURST: That's correct.

BRUCE PRATHER: Yeah.

JEREMY HAYHURST: But it's still changing too. You're seeing a small portion of that. When you run it

through a model you see that changing over time until it gets to an exponential terminal decline rate.

BRUCE PRATHER: Right. Okay.

BUTCH LAMBERT: Mr. Harris, so that I understand this, if we're looking---

BILL HARRIS: Oh, are you talking to me?

BUTCH LAMBERT: No, Mr. Hayhurst.

BILL HARRIS: Oh, I thought you said...I thought you said Harris. I'm sorry.

BUTCH LAMBERT: Looking at your exhibit on page four, average original versus infill well. In looking at that graph, what you have told us is that is an average of...and you're estimating how many wells?

JEREMY HAYHURST: 50 to a 100. I don't know exactly what number I used. But it was...say 75.

BUTCH LAMBERT: So, you run the model and don't remember how many wells you used?

JEREMY HAYHURST: I did an average of them, so I could run the...so I could run the model and do a history match, you know. It has been a couple of weeks ago. I've pulled all the data together to see how many wells---

BUTCH LAMBERT: Okay. Let's say for discussion, you used 75 wells, okay, between 50 and 100. What you

testified is that what we're looking at approximately at month 103...between months 106 or somewhere in that area, that sharp decline represents only one well. That's why that's there. I think that's what I heard you say.

JEREMY HAYHURST: At the end of the red curve?

BUTCH LAMBERT: No, at the end of the blue curve in that decline.

JEREMY HAYHURST: That...the red one represents one well, the sharp change.

BUTCH LAMBERT: Well, I'm going to get to that one in a minute. But the decline in the blue...in the blue curve, which is the infill well that you're telling...testifying that's here today that this infill well is going to help you with production. But at month 103 or 106 it takes a sharp decline. Now, is that the average of infills that you've seen to date or are you telling us that's the well that you proposed to...that you're asking us to approve to drill?

JEREMY HAYHURST: The future is a representative of the past. It should be a representative of the well as it drills as long as everything else is the same.

BUTCH LAMBERT: That well?

JEREMY HAYHURST: Yes.

BUTCH LAMBERT: That well? So, you conclude that you broke out one well out of this entire average?

JEREMY HAYHURST: No, I used all of these in my model because there variability in production even with the same coal thickness and the same gas content.

BUTCH LAMBERT: Okay. So, then what you're telling us is that at that period in time if you're averaging all of your infill wells you're going to see a sharp decline in and around month 103 out of those infill wells?

JEREMY HAYHURST: Do you mean from there forward or---?

BUTCH LAMBERT: No, I'm asking from that...I'm saying from that date, we're going to see a decline and we can expect a decline from month 106 forward from infill wells?

JEREMY HAYHURST: Yeah, and it's...it's consistent with the decline that you see paired to that. That's what history matching does.

BUTCH LAMBERT: Uh-huh. I understand.

JEREMY HAYHURST: Your model...your model the decline that you've seen the date with reservoir perimeters that you know.

BUTCH LAMBERT: Okay. Now, let's move to the

red...to the red curve. At month 133, what you're saying...what this graph represents is the one well that shows a dramatic decline and not the average of all of the wells?

JEREMY HAYHURST: That's correct.

BUTCH LAMBERT: And my question is, how come you put that one well in there in such a sharp decline and what will that...what will your model that you're projecting for your return on investment, what's going to happen from month 133 and 136 on that? Are you going to continue to see that sharp decline?

JEREMY HAYHURST: My decline on...in the model is consistent with the decline that you see where you have a significant well count. I history matched to where I have a significant sample size representative of all of the wells.

BUTCH LAMBERT: Then why...then why did you...why do we have that...why did you stick that one well in there to show a sharp decline in that well?

JEREMY HAYHURST: Just to show you the average of everything together. I'm not excluding anything when I'm showing you the graph. I can take it out.

BUTCH LAMBERT: I'm I...I'm I the only one on the Board that's confused?

MARY QUILLEN: No, I...I think you're saying that you have one well on the red, but that's only on one well, but you're saying this is an average. But then you've singled out one well. The same thing with the infill well, the blue, you said that...he asked you if that was just one well that you singled out like you did with the original well or was that an average and you said, no, that's the average.

JEREMY HAYHURST: It is the average. Just because the other wells don't run as long, my average that I can calculate the rate changes because I don't have the same number of wells producing...the same amount of kind.

BILL HARRIS: I understand. I think what's happening, there is a difference...not all of the wells went online at the same time.

JEREMY HAYHURST: Correct.

BILL HARRIS: And---.

MARY QUILLEN: But that's not the question. That's not the question---.

BRUCE PRATHER: He has accounted for that back here at the front.

MARY QUILLEN: ---when they went online. Why would you single out one on...when you're saying you're

doing an average on the original well, but you're just doing the average on the infill well? That's---.

JEREMY HAYHURST: It's on the average on both. The average here is both, infill and original.

MARY QUILLEN: But you said that was just one well?

JEREMY HAYHURST: At there at that point in time, that's one well representing that point.

MARY QUILLEN: That's my question. Why?

JEREMY HAYHURST: Because only one produced for a 136 months here.

MARY QUILLEN: Mr. Lambert---

BRUCE PRATHER: Is that for informational purposes?

BUTCH LAMBERT: I think Mr. Swartz is going to clear it up.

MARK SWARTZ: Well, I'm going to take a shot at this.

(Laughs.)

MARK SWARTZ: These wells were not all drilled at the same time.

MARY QUILLEN: Right.

MARK SWARTZ: Okay. So, this red dot here is one well because it's the oldest well and there was

nothing to average it with. Now, if you were going to look at the decline curve of this well it wouldn't drop from her, it would be...it would be cut...if we were just looking at this one well, it would be coming down gradually over time. Something didn't happen in that month to cause this to go down. What the problem that you're having with the blue line and the red line, there is a point at which the number of wells that you're averaging goes to one or zero and that...when you get to the end of the path here and what...you know, what Jeremy is trying to tell you is, that's the data he was using. Back here, this well, whatever it was doing was in the red average. But when you get to the end of the line and you're down to hardly any wells in your sample to average, you're going to get some weird looking results, which is why he's focusing you to the middle. I don't know if this has been helpful or not. But the same thing applies to the blue. I mean, you get to the end of the day here, these weren't all drilled at the same time and you're getting down to either one well stand alone or a couple of wells. But I will say the assumption that is troubling Mr. Lambert, this last well didn't plumbed that day. I mean, if we took this well by itself we would plot a much more gentle move to that

point but because there's nothing to average it with it at that point in time, he's just reporting that volume for that month into the...I don't know if this helps or not, but that's why---.

MARY QUILLEN: Exactly. The high volume producers pulled up the low volume producers to get that average.

BRUCE PRATHER: Why put it on your graph?

MARY QUILLEN: But why would you put it on there? Yeah, that's---.

MARK SWARTZ: Because...he answered that question. You kept asking that. He said because he wanted all of the data on the graph. He was averaging that well into the line, the whole distance---.

BRUCE PRATHER: See as far as I'm concerned you've put everyone of the wells on the first month of production back here because these...these...that first month in here, these things are all paralleling each other. In other words, there's not a well coming in here and one here and here. So, you've taken care of the time sequence that's in this thing. So, I kind of...I mean, the only thing that I'll say about what has been done here, this was unnecessarily put in here.

JEREMY HAYHURST: Well, I could have trumicated

it at a certain well count. It just depends on what you think is a valid statistical sample size.

BRUCE PRATHER: I mean, as far as I'm concerned that is not the average...that's not the average---.

BUTCH LAMBERT: Well, that's not us to determine it. That's his. That's just to go back to Mr. Harris' book.

MARK SWARTZ: Well, the problem is...I mean, there would be, Jeremy...I mean, if you were to apply individual wells, there would be some that would be up here.

JEREMY HAYHURST: Oh, yeah. There's a wide range---.

MARK SWARTZ: So, I mean, what you're getting...you know, you're getting an average and at the end of the day if you're down to one well, you're going to be at whatever the value that well was on that month and that's...you know, so why did you put it in there, you know, because it was in the average. I mean, in the average that we started the exercise with and when we ended the average that was the only piece left. I mean, yeah, it looks wild, but within the context once you get to a tiny little sample the reliability, which he has been telling you, you know, goes down. So, I

guess...you know, in retrospect I wish we had hidden that one from you all, but it's in the average.

SHARON PIGEON: Well, if you look at the beginning point of the red and the ending point, disregarding the line there, it's still upward graph.

MARK SWARTZ: I'm sorry?

SHARON PIGEON: If you look at the beginning point in the red and the ending point in the red, it's still an upward graph.

BUTCH LAMBERT: And that's a good point, but, however, you can't...you can't draw the conclusion from adding the second well because of that increase because if you look at the graph with the single well it shows an increase in the single graph.

SHARON PIGEON: The same thing, yeah.

BUTCH LAMBERT: It shows the same thing. So, I guess, the testimony that we heard this morning and what your...the testimony that you're providing right now, I'm not so sure that it matches.

JEREMY HAYHURST: Well, I look here and I see at month 22 that that well is...that production is starting to flatten out. When I put an infill well in in month 34, I see an increase of 500 million a month. 500 million a month on a daily rate of 17 million cubic feet

a day or 17 mcf a day per well on an average that I incline when started drilling original wells.

BUTCH LAMBERT: I don't disagree. But your chart for an individual well shows that...shows that too.

MARK SWARTZ: Well, you've got to compare the individual well chart to the two well chart and see where they end up and there's another 290 million. I mean, that...I agree with you about this line, but drilling this second well throws the cumulative production off through the same period of time and actually hits the projection, you know. The differential way before. So, it adds another 290.

BRUCE PRATHER: See the big problem that you've got with this thing is that you're adding this onto the average and if I took my average out here at 136 I would have a 50% decline in that production and that's not what your average is showing. I mean, I understand what it is---.

JEREMY HAYHURST: But I don't honor that.

BRUCE PRATHER: ---but from 3 and a half million down to about 16 that's about a 50% decline in one year or one month.

MARK SWARTZ: We haven't plotted that well, so

we don't know where it has started, you know. I mean, you're making an assumption that could be true, but it could be wrong. I mean, this could be a really crummy well that never got up to the line and is in the average. I mean, I don't know.

JEREMY HAYHURST: More than likely it did because you see a lot of high wells and a lot of low wells that go into this average.

BILL HARRIS: And that just happened to be...that low well happened to be online longer---

JEREMY HAYHURST: The one that produced the longest.

BUTCH LAMBERT: Okay. Another question about chart, page five. You say cumulative reserves 860 mmcf. If I'm looking at your notice in item number eight and it says estimated reserves in each Oakwood unit identified above, you're listing 125 to 550 mmcf, what's the...what's the difference?

JEREMY HAYHURST: I didn't put that in an notice. I can't answer that.

SHARON PIGEON: Which one do you support?

JEREMY HAYHURST: This one right here.

SHARON PIGEON: 860?

JEREMY HAYHURST: Yes.

SHARON PIGEON: You say the...from your experience as an engineer, you say the 860 is closer to what you should see?

JEREMY HAYHURST: That's correct. I mean, I...I actually took this...a second step and matched it to our reserves, which are audited by an engineering firm in Texas and my results matched theirs within 2%. So, I at least at some confidence that what I modeled here and what I history matched had some viability because it matched an independent firms audit of it.

BUTCH LAMBERT: Do you know where the 120 and 550 figure may have come from?

JEREMY HAYHURST: I don't know.

BUTCH LAMBERT: Ms. Duty, would you---?

ANITA DUTY: That probably just what we used the last time. Where we had to file these before Jeremy actually runs his reserve analysis we use our previous estimate?

BUTCH LAMBERT: Thank you.

BRUCE PRATHER: Could I make one more comment?

BUTCH LAMBERT: Mr. Prather. I assume that what you're talking about incremental reserves, that is running it out to its economic limit. In other words, the amount of gas that you're getting and the amount

you're getting for it are zero. So, there's no longer any need to run the well. So, you plug it. Is that what we're actually looking at out here at about 750 months?

JEREMY HAYHURST: That's actually running the 65 years. This doesn't have an economic limit into it. If you look at the economic limit of the first well, you've probably seen more incremental reserves than the one I'm showing you because that well would go in a---.

BRUCE PRATHER: Yeah, but that's what you've already figured in on your reserve...on your curve here.

JEREMY HAYHURST: No, I didn't figure any economic limit into it. No economics even went into this.

BRUCE PRATHER: Okay.

MARK SWARTZ: Well, to finish your answer, I think you were telling him that you don't think the well reaches its economic limit at 65 years.

JEREMY HAYHURST: Depending on its final rate and its operating costs it could hit it sooner and you will see more incremental because you would see more---.

BRUCE PRATHER: All of these things that I've always ran out---.

JEREMY HAYHURST: --- (inaudible).

MARK SWARTZ: Right.

BRUCE PRATHER: ---to their economic limit, I mean, on an individual well or on an average. You're going to...I think...I mean, I realize you don't get all of the gas out of any of these reservoirs. You get out maybe 50% to 40% or something like that and the rest of it stays in there. It's just there's not enough pressure usually to get an amount out to justify keeping a well and then you plug it. So, you know, it would be nice to know where the economic limit on these wells are. I mean, you're---.

JEREMY HAYHURST: But what time period do you want us to look at that at? Gas prices change everyday. That economic limit...if that gas price is ten bucks that well is going to run longer.

BRUCE PRATHER: One thing you can do, you can go out there 15 years and you can do an economic evaluation of it to see what your rate of return is and how fast you get your investment back. I mean, that's about as good as I know. When you run on out past that, then you're, you know...it doesn't have much influence on your rate of return.

MARK SWARTZ: If this gentlemen was going to be telling you what gas prices were going to be 65 years

from now and other costs, I would be pushing my chair and letting him fend for himself, okay. I mean, we don't know that answer, okay. We do know based on cumulative production if the well produced for 65 years this is roughly what you would wind up with. Now, when that economic limit is going to occur, depending on gas prices, it could occur after that. I mean, we just don't know the answer to that question.

BRUCE PRATHER: I agree with that.

MARK SWARTZ: And it could occur, you know, substantially sooner depending on where we're headed with gas prices. So, we just don't know the answer to that. But in terms of cumulative production, if you let it produce, that's the anticipated number at that point in time. The other thing, you know, which...again, this is cumulative, but the question is does the second well cause that cumulative number to be a larger number well in advance of 65 years and it does. So, you know, your economic limit question is not 65 years. Is it going to produce effectively and efficiently and economically for 40 years or 45 years? Based on, you know...because you can see where it generates the 290 it's pretty early on.

BRUCE PRATHER: Yeah. Yeah.

BUTCH LAMBERT: Any other discussion or

questions from the Board?

MARY QUILLEN: I have...Mr. Chairman, I have just one---.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---question. What we usually see when you ask for a modification of the Oakwood Field rules to allow for one additional well in each of the above-referenced units. On this one it says proposed provisions. This is in your application, "Additional coalbed methane gas well may be drilled in each of the above-referenced." Is there going to only be one that we're approving in each of these?

BRUCE PRATHER: Or will it be multiple?

BILL HARRIS: I think we heard testimony that...I think we heard testimony earlier that there was one.

MARK SWARTZ: It would be one and it would be 600 feet away. It will be in the drilling window. That's what we're asking. It's the same.

MARY QUILLEN: Okay. I just wanted to clarify that because in the application it---.

BRUCE PRATHER: It says wells many multiple.

MARK SWARTZ: In the notice it says one, you know. They don't agree, but it is one.

MARY QUILLEN: One, okay.

BUTCH LAMBERT: Any further questions?

DAVID ASBURY: Mr. Chairman, I had---

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: ---a question for Mr. Swartz.

We're talking about an area here that may be in a deep mine and be a part of degassing for future mining here. You mentioned 600 feet. In this petition, did you want to allow for degassing the coal seam in advance of mining, which will allow that distance to be somewhere less than 600 feet by current standards?

MARK SWARTZ: Well, the statute covers that, so if we have that issue we would be in front of you about that.

DAVID ASBURY: Okay.

MARK SWARTZ: Yeah. I mean, what he's talking about is there's a statute that says if you need increased density wells to degas a mine, we tell him that and it allows to do that and we don't have to come here. It's a mine safety issue. But I'm comfortable...we'll just rely on the statute if that's an issue. Good point. But we don't...we don't come in front of you with that.

BUTCH LAMBERT: Not the purpose of this

application at this time, okay. Anything further?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: A motion and second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: I'll abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz, it's approved.

MARK SWARTZ: Thank you all.

BUTCH LAMBERT: We're calling docket item sixteen. A petition from Southeast Land & Mineral, LLC for establishment of a 160 acre provisional drilling unit, unit C-7, docket number VGOB-11-0315-2918. All parties wishing to testify, please come forward. State

your names for the record, please.

JONATHAN YARBOROUGH: Jonathan Yarborough, Charlie Hale and Charlie Bartlett for Southeast Land & Mineral, Mr. Chairman.

BUTCH LAMBERT: And, folks, would you state your names for the record, please?

HARRY HUTTON: Harry Hutton, Bristol, Virginia.

KAREN ANSTEY: Karen Anstey, Abingdon, Virginia.

(Witnesses are all sworn.)

BUTCH LAMBERT: You may proceed, Mr. Yarborough.

JONATHAN YARBOROUGH: Okay. Mr. Chairman, we've got...we have six docket numbers in front of you. The one we're taking up now, we're taking up C-7 for the establishment of a provisional drilling unit after which we're going to ask for pooling for that same unit. So, I'd like to start with Mr. Hale.

CHARLES M. HALE

having been duly sworn, was examined and testified as

follows:

DIRECT EXAMINATION

QUESTIONS BY MR. YARBOROUGH:

Q. State your name for the record.

A. Charles M. Hale, Jr.

Q. And who are you employed by and in what capacity?

A. Southeast Land & Mineral. I'm a mining engineer.

Q. Okay. Have all oil and gas property owners within this unit that are required by statute have been notified of this hearing and been notified?

A. They have.

Q. And was that done by certified mail return receipt requested?

A. It was.

Q. Have you received all of those receipts?

A. We have.

Q. Have you been able to locate and identify all who should receive notice of this hearing?

A. We have.

Q. And did you publish this notice in the paper of general circulation in the county---?

A. Yes.

Q. ---of which the proposed unit is located?

A. Washington County News, Abingdon, Virginia.

JONATHAN YARBOROUGH: Okay. That's all the questions I have for Mr. Hale right now.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Yarborough.

CARLES M. BARTLETT, JR.

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. YARBOROUGH:

Q. Dr. Bartlett, could you state your name for the record and who you are employed by and in what capacity?

A. Charles M. Barlett, Jr., consultant geologist and employed by Southeast Land & Minerals on this project.

Q. Could you tell the Board where this provisional drilling unit is located?

A. Well, overall it's about eight to ten miles north of Bristol depending on where you start your starting point at Bristol. On Exhibit A, that you have you can see the 160 acre unit that we have proposed similar to the unit immediately to the west and has already been approved, which is C-6, that was approved several months ago.

Q. Why did you choose this particular area for drilling?

A. Previously...I'll give you some of the history of the area and I want to share with you if you wish additional details of why this prospect is even before us. Let me go back to 1981, I was then employed by a company called Highlands Resources out of Texas a portion of Washington County, 65,000 acres all over the county. We drilled on this prospect because it was similar to the nearby gas field that had already been established, the Early Grove Gas Field, which straddles Washington and Scott County and has had a long history. In fact, it was the first gas field drilled in Virginia. In 1932 was the first well. In 1938 they had enough wells that they ran a pipeline into Bristol for industry and private owners use. Without going into all of the details on that field, we...I had done mapping in the

area and others had done mapping for me that showed that the Wolfrun anti-cline was just a slight offset from the continuation of the Early Grove structure, the anti-cline that goes on into Scott County and across the western part of Washington County. So, we developed a prospect about two miles...a mile and a half or whatever west of Exhibit C-7...Exhibit A for C-7 unit and we drilled the Blake well. The Blake well was drilled to a total depth of 7140 feet in an attempt to test all the way down through the Berea Sandstone, which I had slightly a few years before this mapped that portion of the geological section as it is exposed in many places from Cumberland Gap all the way up to Blacksburg. That was my dissertation project for my doctorate at the University of Tennessee. I saw the potential of that because it tied in with production that is over in the coalfield area and over into West Virginia. So, we drill this well at a depth of about 4530 we encountered a flow of gas of about half a million estimated when we were drilling with air and had encountered a little bit of water. So, we were doing what is called misdrilling and adding soapsuds into the water flow to blow it out with the cutting and so forth without having to set pipe. So, that estimate of a half of a million was a

bit dampened by the fact that we were misdrilling. We had actually above that even another shale of gas of about a 100 million...100 mcf, excuse me, and not a 100 million of the abandoned well. Unfortunately, they had set pipe at about 300 feet above this zone and never did set pipe down through this excellent gas shale. In the process, this bunch of leases that we had in Washington County was sold to a Canadian Company. They took over the engineering part of this well and I am until this day not sure they really wanted to add a well because they did not follow my recommendations on completing this zone that we had to good gas shown. It's still to this day unanswered why they did perforate this zone where we had the gas shown. So far, for various reasons partly known and partly unknown this well was declared a dry hole and not completed. Several years went by and about a mile east of that, Blakewell, the well number WA-10, Washington County 10 well, which was the Hettington well, which is just to the west of this proposed unit C-7. It's in the C-6 unit. We've already had a pooling for that to redrill where this well was drilled or close to it. The Hettington well was drilled and completed in April of 1984, about three years later after the Blakewell was drilled. The Hettington well

encountered some water at 45...oh, about 45 to 60 and set pipe at 4650 of seven inch pipe. They drilled on down and almost immediately...just about a 100 feet lower than that pipe was set, they found a flow of gas on air drilling estimating at over 200 million cubic feet of gas. That would get your attention, would it? It was a plain that was about half as long as this building or as this room anyway. So, I have had this in my bucket list to try to develop what is apparently proven a gas field. It is there waiting to be further drilled and completed. This well, the Hettington well, was taken over and actually drilled by Early Grove Gas Company, which was a gas subdivision of United Coal Company. This history is complex. It has been through several hands here. Anyway, they did---

BUTCH LAMBERT: Could you make the history shorter?

A. I'm trying. It's make shorter than I could get.

BUTCH LAMBERT: Well, we have heard all that information in prior hearings. So, if we could move on with a little shorter explanation---

A. Okay. Anyway, there was a completion of this well, but it was open hole completion and not in

the proper manner where you could fracture the treatment and stimulate that well. They did run a pipeline to Bristol...over to the main line again and produced it for three and a half months and broke through to the water that was up above in the short distance behind that pipe that was set.

Q. Okay. So, in your opinion, it is not unreasonable or arbitrary?

A. I just wanted you to know---.

Q. Right.

A. ---there's a good reason why we're trying and spent a lot of money leasing---.

BUTCH LAMBERT: Thank you...thank you, Mr. Bartlett. We appreciate it. We have heard...heard your explanation a couple of times now. We appreciate that. Anything further?

A. Just be sure you remember it.

Q. Is there coal or any other marketable minerals in this unit?

A. There is no coal underlying this area with one exception. There may be about a two inch layer of coal that is right on top of the upper part of the Price formation, which is in the coalfield area called the Weir Sand and it outcrops in several places in

Washington County. It continues northeastward getting thicker and thicker until you get up into Blacksburg around Price Mountain. It was mined at one time. But down here in Washington County it has thinned down to where you have to hunt for it.

Q. So, in this particular unit, would a well in this unit unreasonably interfere with the production of future mining of coal or other minerals?

A. None whatsoever.

Q. Okay. What's the acreage in this proposed drilling unit and what's---?

A. 160 acre square unit, which is a half mile by a half mile on each side.

Q. And that's the same size and shape of unit C-6 that has already been approved?

A. Yes, sir.

Q. Okay. And just point to the exhibit and show where the drilling unit or the well will be drilled in this unit?

A. I think you can see on Exhibit A that in the north center about a 100 feet from the setback line, mine is in red and yours is, I think, in black. But, anyway, you can see where the dashed...heavy dashed line is for the 300 foot setback and geographically and

topography wise that is hilly land. This location was convenient to get to and nearly...if you call anything in this area flat, it was one of the flatter areas where we had room to put a location and also have very few trees. So, we were not disturbing the land very much by putting the well there.

JONATHAN YARBOROUGH: I don't have any further questions at this time, Mr. Chairman.

BUTCH LAMBERT: Are there any questions from the Board?

BRUCE PRATHER: I've got one question, Mr. Chairman.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I look at this plat that you've got here and when you have wells over here that Number 1 Carol, which is 2800---.

CHARLES BARTLETT: That's proposed.

BRUCE PRATHER: ---proposed and another one here and you've got one down here the Hettington---.

CHARLES BARTLETT: The Hettington has been drilled and we just talked about it.

BRUCE PRATHER: Yeah, I understand that. The only thing about it is you're awfully close to your lines over here on the haul and over here on the Carol.

Are we sure we're looking at the---?

CHARLES BARTLETT: No, no, no. Those...that's confusing because that's indicating how far it is. But if you'll see that line is broken.

BRUCE PRATHER: Oh, okay. So, it is further away?

CHARLES BARTLETT: It's way on over.

BRUCE PRATHER: Okay.

CHARLES BARTLETT: Both of them.

BRUCE PRATHER: All right. That will answer the question.

CHARLES BARTLETT: Yes, sir. It just looks like it's close.

BRUCE PRATHER: I was wondering about your spacing.

CHARLES BARTLETT: No, no, no. No spacing problem. Thank you for asking.

BUTCH LAMBERT: Any further questions from the Board?

KATIE DYE: I have a question, Mr. Chairman.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: I have some concerns with only this 300 foot setback. You know, that gives you 600 foot. From what I understand from Haliburton your can fracture

as much as like 1500 feet. So, are we going to have a well in all of these adjacent units? And are we protecting correlative rights here?

CHARLES BARTLETT: I don't think anybody alive engineers or geologist can answer your question as to how far out this well may drain. It's probably rather limited in my knowledge of the area because the formations on the outcrop is fairly tight. So, we're dealing with a tight reservoir. How far out we will fracture, we don't even know which direction your fracture preferentially going to go. But we did locate this well on the axis or near the top of the structure, the fold, which tends to have more of the fractures and joints on it rather than off from the plain of the structure. See if we drilled down on property number three in the southeast part, we would be about a half a mile off of the preferred locations along the axis of the structure. So, I can't say that we wouldn't be draining actually some from the northern unit. But we're going to drill that anyway if this...if this is accessible there would be a well there.

KATIE DYE: Well, what we typically see in like our conventional wells is the 1250 foot radius.

CHARLES BARTLETT: No, no. That's your circular

units.

KATIE DYE: Right.

CHARLES BARTLETT: This---.

KATIE DYE: For conventional gas. Typically, we see coalbed methane units set up like this.

CHARLES BARTLETT: Well, we will be on an offset a half a mile away from the nearest well. I think that's a requirement. So, when we drill this well and it's successful and maybe others, we will eventually be drilling the well to the north and we will have either the correct distance away that's generally required or we may be back to you for a slight exception. We've only got so much room here to get the well in topographically and conveniently.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: Just something that may help. Under statewide spacing rules, that have to be within 25...they can't get closer than 2500 feet unless they come back and get your approval. On the two wells that are shown here, the closest well to them, which is the Hettington 1 is 2580 feet, which is 80 feet beyond our minimum standards for drainage per natural gas wells. The Hale 1 is 3921 feet. So, even though the unit has a

300 foot offset. That more applies to the coalbed methane wells and statewide spacing rules would still apply to natural...deep natural gas wells. So, in the permitting process, we would not allow them to get anything any closer than 2500 feet unless they came back to the Board for approval for a location exception.

SHARON PIGEON: I have a question. Are you asking for multiple wells?

CHARLES BARTLETT: On the different units. We will have another unit just after this and another unit after that. For this unit, we're just requiring... requesting one well on this 160 acre unit.

SHARON PIGEON: Look at paragraph 4.8 in relief sought in your application.

CHARLES BARTLETT: Yes, I see that. There would be a separate hearing. If we decide later that the drainage is not sufficient from one well, we may come back at some long distance---.

SHARON PIGEON: But that's not what this says.

CHARLES BARTLETT: No.

SHARON PIGEON: So, are you withdrawing that part of your request?

JONATHAN YARBOROUGH: We'll strike that from our request.

CHARLES BARTLETT: Just as you have in the coal fields been adding increased density. If we ever need that, we'll be back to you with an explanation of why.

SHARON PIGEON: But you'll have a new application for that?

JONATHAN YARBOROUGH: Right.

CHARLES BARTLETT: Yes.

SHARON PIGEON: It won't be this order?

JONATHAN YARBOROUGH: Right.

BUTCH LAMBERT: So, for the record, Section 4.8 will be stricken from the application.

CHARLES BARTLETT: No problem.

KATIE DYE: Mr. Chairman, I have just one more question, please.

BUTCH LAMBERT: Ms. Dye?

KATIE DYE: When I look at 2.5 your application says you have 95.88% under lease, but then when we look at Exhibit B your total leased amount is 95.36.

CHARLES BARTLETT: Where was that first thing that you mentioned?

KATIE DYE: At 2.5 on page three.

MARY QUILLEN: Is it .88 or .36?

CHARLES BARTLETT: I think the Exhibit B is the correct one the correction needs to be made there on

2.5. It's very minor. I don't know how that come about. Sorry. Thank you for being careful. A typographic error. Maybe that 5 was supposed to be an 8 or the 8 was supposed to be a 5.

BUTCH LAMBERT: Any other questions from the Board?

MARY QUILLEN: Mr. Chairman, I have just one question regarding a document that was in the...this particular item from the Washington County office of the County Attorney. Basically, it states that drilling in this area is not permitted under the zoning of the Washington County Land Use Regulations. Unless that is rezoned, Mr. Asbury would a permit to drill be issued?

DAVID ASBURY: It has been a...again, a separate process for permitting than what the Board is doing for the units.

MARY QUILLEN: Right.

DAVID ASBURY: But it's our practice at the division and the department to work with our County governments and the permit, while we could issue, we would choose to work with the County government. Again, that's a case by case basis. Depending on the land use permit, we would like to have that in place prior to issuing our state permit for the well.

MARY QUILLEN: Well, just mentioned that one has already been drilled. Has an agreement been reached with the Washington County for rezoning?

JONATHAN YARBOROUGH: We are at this time...if you don't mind...if may. We have a two prong approach to try to address this issue. We noticed them for a couple of previous hearings, they wanted us to come and seek a zoning determination. They've obviously allowed drilling before. Perhaps at that point in time, there was no zoning determination requirement.

MARY QUILLEN: Right. There probably was no zoning---.

JONATHAN YARBOROUGH: Right.

MARY QUILLEN: ---at that time and they now have zoning.

JONATHAN YARBOROUGH: Right. And so---.

MARY QUILLEN: So, my question is has this been resolved?

JONATHAN YARBOROUGH: It is in the process of being resolved. The Board of Supervisors is working favorably with us and we also a way to get a special use permit, I believe, under the current code. But we don't have anything to take to them right now because we don't have the well location and all of this for approval that

we could even put in the application. So, it's sort of, you know, which comes first the chicken or the egg? Do we get the units established and then go get the special use permit or---.

BILL HARRIS: Yeah, catch 22 kind of thing.

JONATHAN YARBOROUGH: Right. And regardless---.

MARY QUILLEN: Right. What I'm just saying is, you know, the expectation is before you drill that it be approved and that's my---.

CHARLES BARTLETT: Sure.

JONATHAN YARBOROUGH: We don't...we do not intend on drilling before we get the ordinances---.

MARY QUILLEN: You know, we're approving the application, you know, but then that is not...the permit has to come through this office to be sure.

CHARLES BARTLETT: Let me add that unbeknownst to several people in the past, wells were drilled after the zoning was set in place and approved...to get into much less formal way and there were about six wells drilled after that zoning was established.

JONATHAN YARBOROUGH: But we don't intend on doing that. We intend on working it out either through a special use permit---.

MARY QUILLEN: Right. I mean, that's not before

us now. They may have been in the past. But what I'm saying is, you know, going forward here now...we just want you to up front know that we're aware of this. So, we want to be sure that you understand that we can only approve so much.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: I may have not been clear and I want to say this again. The...our statute allows us to review an issue of permit. But our permit does not supercede a local land use permit by the county. So...and as I've said before, we've chosen to work with our County governments to...mainly to ensure environmental protection and infrastructure is in place for the gas operations. We will continue to work with our County governments to do that. But just because a zoning land use permit is not in place, doesn't supercede us from reviewing an issue in the permit.

CHARLES BARTLETT: The particular thing about all of this is the zoning allows gas pipelines. No problem. What goes into the gas pipeline, gas from gas wells.

JONATHAN YARBOROUGH: But that's our issue with Washington County. But we are going to get this addressed before any drilling is going to take place.

MARY QUILLEN: But we just wanted it on the record that you...you know, that we're aware of this and you're aware of that.

BUTCH LAMBERT: Thank you. Anything further, Mr. YARBOROUGH?

JONATHAN YARBOROUGH: We make motion to establish the unit.

BUTCH LAMBERT: Mr. Hutton is over there dying to address the Board. Mr. Hutton?

HARRY HUTTON: They already know what I'm going to talk about. This lease that they have got is not...not legal because we signed it under false pretense because Holbrook made a circle on my property and I was to get 93% of the one-eighth proceeds. Lisa Hale was to get the 7. Now, when we signed it, they come back and they put it in a square and cut my benefits down to 73.5.

BUTCH LAMBERT: 73.75.

HARRY HUTTON: Whatever it is.

BUTCH LAMBERT: That's what we have in our---.

HARRY HUTTON: Okay.

BUTCH LAMBERT: ---exhibits.

HARRY HUTTON: I'd like for Tony Holbrook to come up here. He's sitting right back there.

BUTCH LAMBERT: He's certainly welcome to do that if he wants to provide testimony.

HARRY HUTTON: Well, he's the one that drew it up. It's legal. That lease is not worth a penny.

CHARLES BARTLETT: But he signed it and it's recorded in the Courthouse.

HARRY HUTTON: I signed it. I agree we signed it, but it's under these false pretenses.

BUTCH LAMBERT: Mr. Hutton, did you sign a lease that showed circles?

HARRY HUTTON: That showed the circle.

BUTCH LAMBERT: Would you happen to have a copy of that with you?

HARRY HUTTON: No. Holbrook has got it if he didn't destroy it.

CHARLES BARTLETT: It's not part of the lease. There was no circle unit...basically, what---

BUTCH LAMBERT: Mr. Bartlett, just...this side you all have had your turn. Let's hear him and then I'll come back to you.

CHARLES BARTLETT: I thought he was through.

BUTCH LAMBERT: No, he's not through. Mr. Holbrook, you need to be sworn.

(Tony Holbrook is duly sworn.)

COURT REPORTER: And your name again?

TONY HOLBROOK: Tony Holbrook.

COURT REPORTER: Holbrook?

TONY HOLBROOK: H-O-L-B-R-O-O-K.

HARRY HUTTON: I would like to ask Mr. Holbrook if he drew a circle on the property...on a map that he had of my property?

BUTCH LAMBERT: Mr. Holbrook, do you work for Southeast Land?

HARRY HUTTON: He works for them.

TONY HOLBROOK: I work for Southeast.

BUTCH LAMBERT: Okay. You're the surveyor for Southeast?

TONY HOLBROOK: Yes, sir.

BUTCH LAMBERT: Okay. I guess, my...I'll go back to my question. When you looked at the lease originally, you saw a circle on your map...drawn on your map?

HARRY HUTTON: That's right. That's only...that's the only way I would sign it for me to get a 100% out of a 160 acres. But when he come back, he said it liked a little bit of being the 12...whatever it is away from...and he had to give Lisa Hale 7% of it. That's the reason we signed it.

BUTCH LAMBERT: I guess, Mr. YARBOROUGH and Mr. Bartlett, coming back to you all, was that done before we approved this...the field rules and the established the squares?

CHARLES BARTLETT: No.

JONATHAN YARBOROUGH: Field rules have not yet been approved.

BUTCH LAMBERT: We've established the square---.

JONATHAN YARBOROUGH: Right. Right.

BUTCH LAMBERT: ---units. We've established that. That's what you're asking this Board today is a square 160 acre unit.

CHARLES BARTLETT: What was the date on your lease? Do you remember?

HARRY HUTTON: Why? You've got it too.

CHARLES BARTLETT: I don't have it with me.

HARRY HUTTON: Your lawyer ought to have it.

JONATHAN YARBOROUGH: We don't have it with us.

CHARLES BARTLETT: Do you not remember your lease date?

HARRY HUTTON: Geez. Why? What's it for?

CHARLES BARTLETT: To see what the sequence of events was.

HARRY HUTTON: That's it right there, I guess,

ain't it? The 3rd and the 13th...let's see, the 3rd and 31st (inaudible). I don't know where it's at. I'd say it's here somewhere. Is this it?

TONY HOLBROOK: Yes.

HARRY HUTTON: The 14th of July.

BUTCH LAMBERT: Of 2010?

HARRY HUTTON: Right.

BUTCH LAMBERT: And your lease that they presented to you showed a---?

HARRY HUTTON: A circle.

BUTCH LAMBERT: ---circular unit?

HARRY HUTTON: Right.

BRUCE PRATHER: See that would be the 112 acres.

BUTCH LAMBERT: It will be 112 acres.

BRUCE PRATHER: Yeah.

TONY HOLBROOK: The lease does not have a map in it.

HARRY HUTTON: What did you do with the one that you had?

TONY HOLBROOK: The leases...none of the leases have maps---.

HARRY HUTTON: And I said, what did you do with the one that you to show me? You never would bring me one. Why?

TONY HOLBROOK: What we did---?

HARRY HUTTON: Well, I mean, all you had to do was tell me you changed it to the square, I mean, before we go through all of this, but you never did tell me that. Nobody did. The only time he told me was when your engineer come to my house that month. You said you changed it to a square. You didn't tell me---.

BUTCH LAMBERT: Mr. Hutton, if you could address the Board, we'll hear your concerns instead of talking to those folks.

HARRY HUTTON: Oh. I was looking at the engineer on the end.

BUTCH LAMBERT: I understand. But let me ask Mr. Holbrook or any of the other representatives of Southeast Land. Was a circular unit represented to Mr. Hutton when indeed that we have established a 160 acre square unit?

JONATHAN YARBOROUGH: Mr. Chairman, the only thing...I can speak to the fact that since I've been involved in this project and one of the reasons that we're up here taking our lashings every so often is because we wanted square units so that everybody could get paid and circular units were never in the plan for that very reason. I have never been...until today, I

was never aware of this contention that circular units have ever been represented in a lease.

CHARLES BARTLETT: May I comment?

BUTCH LAMBERT: And why would...why would Mr. Hutton even have knowledge of circular units? Mr. Hale.

CHARLES HALES: In July, Mr. Holbrook and I went to Mr. Hutton's home and we thought we working in square units. The circular unit come about in describing the difference in the way that the permitting process works. If you have a well...the only thing I remember talking to him...you know, they break it up in different ways. But we've always represented a square because, you know, a square gets everybody. But if Mr. Hutton got a circle in his mind it would have been saying like there's two ways to do it. If you have a well here and then you have to have a radius of 1250, which would be the circular unit. But it's my recollection that we've always held that square units, you know, is more fair to every land owner because everybody is contiguous and they're in that square unit and we don't...we don't leave out people with these circles. Due to the topography of the ground out there, we wanted to make sure that we can maximize, you know, the places where we could locate a well in a square field the best. I don't

know, a 160 acres, which is 40 acre plots. I mean, that's...that's all we've ever worked in. If it was represented to Mr. Hutton, it was as an example of the different ways in which fields are developed. But our field has always...we've always talked to you about square units of a 160 acres.

BUTCH LAMBERT: Well, that's why it's important that I think this Board hear the dates of discussions with Mr. Hutton. If signed the lease before this Board approved those square units, then I can understand why he might have seen a circular unit.

HARRY HUTTON: That's the first thing that he presented me with---.

CHARLES BARTLETT: Let me go back---.

HARRY HUTTON: ---was the circle.

CHARLES BARTLETT: ---to you earlier. The Hettington well was an 80 acre unit running north/south with 240s. It just barely missed Mr. Hutton's property.

HARRY HUTTON: By 5 foot wouldn't it?

CHARLES BARTLETT: It was very close. I didn't have anything to do with that---.

HARRY HUTTON: Probably down (inaudible).

CHARLES BARTLETT: ---actual survey of that unit because United Coal Company/Early Grove Gas Company

drilled the Huttington well and they set up that unit. But I had suggested 80 acre units for this field back then in the early '80s so that no one would be left out. I remember having some earlier negotiations with Mr. Hutton and told him that he would definitely be included. But I never promised him that he would get all of the gas from the well if there was a well on him. That's where we---.

HARRY HUTTON: I'm not saying that. You didn't promise me anything.

CHARLES BARTLETT: I did promise you, sir, that---.

HARRY HUTTON: Tony is the one that done the talking.

CHARLES BARTLETT: I'm talking about earlier, three years or four years ago.

HARRY HUTTON: Oh, I don't know. That's hard for me remember four years ago.

CHARLES BARTLETT: Well, you conveniently forgot.

HARRY HUTTON: You probably did too.

BUTCH LAMBERT: Now, gentlemen...wait a minute. This ain't the place for that and if we're going to start that, then we'll end this one right here, okay.

So, let's keep our comments addressed to the Board if you have any. Anything further, Mr. Bartlett? Mr. Asbury?

DAVID ASBURY: Mr. Chairman, just a question. It may help both parties here maybe. Mr. Hutton, have you seen the total field development with the units. Has anyone ever talked to you about the---?

HARRY HUTTON: About the whole field?

DAVID ASBURY: Yes, sir.

HARRY HUTTON: About the next wells that is being drilled or going to drill or proposed?

DAVID ASBURY: Yeah.

HARRY HUTTON: Yeah, I've seen all of them.

DAVID ASBURY: Is your total acreage involved in the field?

HARRY HUTTON: Yeah, there's a little bit involved in the Carol, the next one below mine there. I'm supposed to get about what 10% or 15% or something of it? I don't remember the %, but it's something.

CHARLES BARTLETT: And the Haul unit 2, which has already been approved.

DAVID ASBURY: I guess...I guess, my point is if this unit is successful and decide to expand into other units, then your property in total, while it's not 90%

in this unit, it would encompass a 100% of all of your property once the whole field is developed.

HARRY HUTTON: There's going to have to be some added to it if it gets up to a 100%. Where is the other coming from?

DAVID ASBURY: Well, I mean, it...they've chosen today before the Board to do this...this particular unit that only has 75% of your gas property. As the Board has heard from Southeast before, if this and two other units are successful then their expectations are to expand into other units at which sometime it would prob...could encompass a 100% of your property. Not in this unit, but maybe in adjacent units around...around the property that you have.

BUTCH LAMBERT: Mr. Hutton, how many acres in total do you own in that area?

HARRY HUTTON: 177.

BUTCH LAMBERT: And this unit will take in a 118 acres?

HARRY HUTTON: A 160 acres.

BUTCH LAMBERT: Well, the unit size is a 160 acres. According to what's in our exhibits, your total acreage in this unit will be 118 acres.

HARRY HUTTON: I don't...it might be. I don't

really...I didn't pay that much attention to that.

BUTCH LAMBERT: So, what Mr. Asbury is explaining or trying to convey to you is that in this unit you may only have a 118 acres. But the proposed...I think it's C-6, which is immediately to the east will encompass a little bit more of your acres from what I can...I can't see all of C-6. But your property lines run that way, which could include more of your acres as they continue to grow the field.

MARY QUILLEN: C-8 has 20.4 acres.

HARRY HUTTON: What on the Carol property?

MARY QUILLEN: Yes.

BUTCH LAMBERT: 20.4?

MARY QUILLEN: 20.4. And on---.

DAVID ASBURY: Mr. Chairman, for Hutton's benefit here too, the way the field is developed this is...this is exactly what the Board does as far as trying to protect correlative rights so that there is no stranded acreage. As the field grows, everybody in these units and their total gas ownership acres is included in the units.

CHARLES BARTLETT: May I add that the other units that will be drilled, the wells will not be on him. Only in this case is the well be on his property.

So, they will be sharing the gas from that wellbore with Mr. Hutton.

HARRY HUTTON: Well, I'm saying is this lease is null and void because the way they went about getting our signatures. It has to be. There ain't no other way.

BUTCH LAMBERT: I guess, I'm struggling with what was represented to you at the time the lease was signed.

HARRY HUTTON: There wasn't nothing discussed then. We'd already seen the circle and all of that. That's the reason we signed it and the figures we used.

CHARLES BARTLETT: I believe I'm correct, we had already set up these square units in April before his lease was signed. So, that would have been the obvious thing to be presented to him as the plan.

HARRY HUTTON: Well, there's one thing that I'd like to ask, did Holbrook have authority to do what he done? Did he?

BUTCH LAMBERT: That's a question for Southeast Land.

HARRY HUTTON: I'm asking the geologist.

CHARLES BARTLETT: I didn't understand you.

JONATHAN YARBOROUGH: Mr. Chairman, I'd also---.

HARRY HUTTON: I said...I said did Holbrook have the authority to right that place in a circle and show it to us?

CHARLES BARTLETT: I don't know what Holbrook said to you because---.

BUTCH LAMBERT: Mr. Yarborough.

HARRY HUTTON: Don't have nothing said. It was wrote on a paper.

BUTCH LAMBERT: Gentlemen, gentlemen, please.

HARRY HUTTON: Six people seen it.

BUTCH LAMBERT: Please bear with us. We're trying to work this out. Mr. Yarborough, do you have something?

JONATHAN YARBOROUGH: I do have something. We also submitted a field rule proposal and the unit operator would have showed the squares on the entire Wolfrun Gas Field. I believe we did that before July. Mr. Asbury is looking at the right now, which he would have been required to have notice of. Again, this is the first time I've heard that we allegedly misrepresented the shape and size of the unit to him.

DAVID ASBURY: I'm looking.

BUTCH LAMBERT: Look it up. I'm trying to figure out...Mr. Hutton wouldn't come before this Board

and say, I saw circles and now you're saying squares. I mean, why...how would he even have the knowledge of how units and field rules are set up unless...unless someone did convey to him that yours could be circles?

MARY QUILLEN: We haven't heard a reply to the question from Mr. Holbrook. He has never answered that.

HARRY HUTTON: That's what I know.

MARY QUILLEN: If he could answer that now.

TONY HOLBROOK: In the discussions with Mr. Hutton, Mr. Hutton was wanting a 100% of what came out of the well that was located on his property. In trying to show him that, no matter what we did, that he couldn't get a 100% out of that well. I did make a sketch showing a circle, but this...this is the way the state standard is on that. Even with the state standard of a 2500 foot diameter circle, you still don't get a 100%. We can't get all of your land into one way. But then we were going with the squares. You know, that was just to show him that no matter what we did, that I couldn't do that. There wasn't no way of giving him a 100%.

HARRY HUTTON: Why did you tell me you couldn't do it?

TONY HOLBROOK: I did.

HARRY HUTTON: No, you didn't either. You tell me nothing until after we signed it. You and the engineer come to my house that night.

BUTCH LAMBERT: Mr. Hutton. Mr. Hutton, I have to say that we can't continue like this with you interrupting and challenging the other side. Please reframe from that.

HARRY HUTTON: Okay, I'm going.

BUTCH LAMBERT: No, no, no, we're not asking you to leave. We're just trying to work through this issue and we're trying to help you here if we can. But there's some things that we have to...some time lines here that we have to understand a little better. So, if you'll bear with us, I promise you, we're going to try to get to the end of this for you, okay. I think Mr. Asbury may have some dates up here for us.

DAVID ASBURY: The first petition that...I went back to April the 20th of 2010 and docket item 2700. The description on that docket was that they wanted to establish provisional drilling unit consisting of 160 acres for conventional wells in what was Wolfun Haul #1 at that time. There was some sequent months that the field rules and the whole field was presented. So---.

SHARON PIGEON: What was the docket number on

that?

DAVID ASBURY: 27...it's 10-0420-2700.

BRUCE PRATHER: Was that the approval date?

DAVID ASBURY: It wasn't---.

BRUCE PRATHER: That was just a notification then.

DAVID ASBURY: No, this petition was the first one that was approved by the Board.

MARY QUILLEN: Right. The one that wasn't approved when they submitted the whole field and wanted to be named the operator and establish the field rules and we say no the Board established the field rules and that the operator couldn't...he couldn't...they could not be named the operator for that entire field and that it had to be requested unit by unit until they were established and we could see. They said three units to provide---.

DAVID ASBURY: C-6 ...C-6 was approved in...excuse me just a minute on August the 17th of 2010. That unit was originally before the Board on June the 15th. That docket number was 10-0615-2713. That petition was approved on August the 17th.

MARY QUILLEN: Right. Because the failure to include some of the documentation and exhibits, they had

to revise those to bring them back.

DAVID ASBURY: Yes.

MARY QUILLEN: Okay.

DAVID ASBURY: And there was another...there were other petitions that day that were continued until December. Those...at that time, even though that one was approved there was one, two, three, four, five...there were five others that were continued. Two of them were December and two to October.

MARY QUILLEN: And I believe the ones that we have on the docket today are part of those...of that continuing process---.

DAVID ASBURY: That's correct.

MARY QUILLEN: ---because they had to reapply.

JONATHAN YARBOROUGH: Right.

DAVID ASBURY: That's correct.

BUTCH LAMBERT: Mr. Hutton, you know your property better than any of us. So, let me ask you a question. You've looked a map with your property boundaries on it.

HARRY HUTTON: I've got one.

BUTCH LAMBERT: Okay. If they come in and just...just for a theory here. Not saying that we're going to do this, but if they...if they proposed a

circular unit to you at that time and overlaid it on your property map, would that overlap other property areas or would that just be on your property with a radius of 1250 feet.

HARRY HUTTON: Just one and that's Lisa Hale's. She's to get 7% out of that circle. That was my understanding the way Holbrook drewed it up.

MARY QUILLEN: Is that what you were told, those figures?

HARRY HUTTON: We've got it wrote down.

MARY QUILLEN: The 7...7% and---.

HARRY HUTTON: We've got it wrote down at the house, but we don't have that map with the circle on it. He wouldn't give me one. I want to tell you something while I'm at it. When they was going to drill on that hole, they was a half mile off of the line. They was going to drill on Hettington. Yeah, had done approved that well.

BUTCH LAMBERT: On Hettington?

HARRY HUTTON: Yes. That was on Hettington. It was a half mile from(inaudible). I don't know if it's a half a mile or not, but it's several hundred feet.

CHARLES BARTLETT: I believe that was the first proposed location. We had misinformation from the

county as to what the ownership was. That's why we came back and actually located the well on Mr. Hall because then we were on the land that we had leased.

SHARON PIGEON: David, in looking at Exhibit A, the plat, I'm a little confused here. We have a stamp from the surveyor, Mr. Holbrook and then at the top part of the legend has been cut off maybe by a fax. But what I can read says mapping and do not depict a current survey. So, we have a survey stamp and then we have this legend at the top.

DAVID ASBURY: I have the same thing.

SHARON PIGEON: That seems a little contradictory. Does this---?

DAVID ASBURY: Well---.

SHARON PIGEON: ---plat conform with what you need?

DAVID ASBURY: The plats that we receive have a similar statement that the property lines shown on the plat were taken from deeds or chain of title of record, but do not depict a current field survey.

SHARON PIGEON: Well, we...number one, we don't have all of that showing here. That didn't print out on my copy. Then number two, in those situations that you've just described, there's not a surveyor's seal on

those and there is one on this.

DAVID ASBURY: The surveyor's seal, the surveyor is certifying the actual well location...the surface well location. The reason that is the case is the well has to be with...has to be planned and drilled within a 10 foot radius of that location. So, the---.

SHARON PIGEON: But do you have something with this reference to deed...recorded deed calls?

DAVID ASBURY: I do not.

SHARON PIGEON: Well, you need a copy that shows that.

BUTCH LAMBERT: That percentage is on all of our exhibits it cut off.

SHARON PIGEON: It is on his as well.

DAVID ASBURY: Mine as well.

BUTCH LAMBERT: Mr. Hutton, let me ask you another question. If...if these gentlemen come back and had further discussion with you on your property boundaries and I think I heard you say earlier that if they would have told you this would have been squares you probably could have worked this out with them.

HARRY HUTTON: We could have.

BUTCH LAMBERT: If we...if we this Board continues this one and asks those folks to come back

with you, would you be willing to set down and work with the company?

HARRY HUTTON: Well, they could come to my house or I can meet them. We'll work on it anytime. But I've talked to...but none of them won't meet with me.

BUTCH LAMBERT: So, your...your biggest concern that you're expressing to this Board, just so that I understand, is that they depicted circles to you...a circular unit to you and now when you finally saw this you ended up that you were in a square unit.

HARRY HUTTON: Right.

BUTCH LAMBERT: So, what you're asking this Board to do is not approve this one and for them to sit down with you and work out the issues with the square unit and your property?

HARRY HUTTON: That's right. Put my money back where it's supposed to be. I mean, I understand...I don't want to get nothing off from other people's property. Carol won't get nothing if they drill on him. All them people gets more than he does. He won't get nothing. What 20% or 25?

BUTCH LAMBERT: I'm not...I don't know what you're talking about.

HARRY HUTTON: They've got approved here.

BUTCH LAMBERT: Well, I'm not sure I understand what you're talking about with that point. Any questions or discussions...further discussions from the Board?

(No audible response.)

BUTCH LAMBERT: We're in a pickle.

SHARON PIGEON: Does the woman have anything?

BUTCH LAMBERT: I'm going to ask her.

BRUCE PRATHER: Mr. Chairman.

BUTCH LAMBERT: Mr. Anstey...oh, I'm sorry, Ms. Anstey, I know that...are you concerned with this same issue that Mr. Hutton is or is your concern on another one?

KAREN ANSTEY: It's another one. Yeah, it's item twenty.

BUTCH LAMBERT: Okay. Thank you. I didn't know if you...okay.

BRUCE PRATHER: Are we going to put this on hold, Mr. Chairman?

BUTCH LAMBERT: Well, I'm asking for further discussion and---.

CHARLES BARTLETT: Let me add one thing if I may then since you opened it still for discussion. Mr. Holbrook is a surveyor. He was already surveying these

units as square units. All through last year, he was working for us periodically and had surveys in making these plats. All of them the square units. Today, this morning, was the first I hear from Mr. Hutton that he had a concern about that.

TONY HOLBROOK: How come Holbrook and them didn't mention it to you?

CHARLES BARTLETT: I don't know. But I am in my office---.

TONY HOLBROOK: I mean, we ain't accomplishing nothing. We're back where we started.

BUTCH LAMBERT: No, not really. No, we're making a little progress here. I'm not sure that everybody is going to be happy with the outcome, but we're making a little progress.

CHARLES BARTLETT: I'm trying to figure out how line the world the idea of a circular unit could have been set in his mind when everything we were doing was square units.

TONY HOLBROOK: Because it was represented to me.

BUTCH LAMBERT: Mr. Hutton, have you...have you been involved or have any experience in drilling in other parts of the state or over in the coal fields?

TONY HOLBROOK: I sure don't.

BUTCH LAMBERT: Is this your...is this your experience?

TONY HOLBROOK: I know a lot of people who have, but I don't.

BUTCH LAMBERT: Okay. Then that's why I still can't get over the concern that at some point in time that Mr. Hutton was represented that he would be involved in a circular unit because he would have no knowledge of circular units versus square units unless he was told or it was represented to him that he would do that.

CHARLES BARTLETT: I know early last year I had set the square units as the standard that we were going to proceed with.

BUTCH LAMBERT: Mr. Bartlett, I don't...I'm not disagreeing with you at all. Please understand that.

CHARLES BARTLETT: I'm trying to understand.

BUTCH LAMBERT: We have the record that states that as...the process that this Board went through to document the square units out there. I'm just concerned that that wasn't what was related to Mr. Hutton and Mr. Hale.

CHARLES HALES: Mr. Chairman, if there was a

circular unit that got in someone's mind it would have only been as an example of how that the Board interprets the establishment of conventional gas wells in other places, as an example. Like in some areas they have circles. Here, as the testimony has shown, we have always put forth a square unit because it's more fair to everyone. You know, it just be like, well, some areas they might do circles and some areas they might do rectangles. We've had all kinds of testimony. We have always held, every since we have been coming to this Board, that we are having square units. The maps that Mr. Holbrook and I sat down at Mr. Hutton's house, it had square units on it. Now, you might take and draw a circle and say, well, you know, if put one here and we drew a circle here, this circle of 1250 feet everybody in that 1250 feet radius circle is going to get that, you know, and how would we adjust that from the well location. But, you know, there has been no representation to anyone that we've dealt with, to my knowledge, that this was going to be a circular unit.

MARY QUILLEN: If you...why in the world would you represent something or even mention something or even imply that it was something that you were not working with? And obviously...I mean, you have said

this is what you have said.

CHARLES HALES: Just a moment. Just a moment.

MARY QUILLEN: I mean, that's...that's our concern is someone had to have said this to him because he has absolutely no knowledge.

JONATHAN YARBOROUGH: Now, I do know that the guys on this project spend a lot of time with the land owners trying to get them to enter into these agreements and trying to build trust. I have no doubts that they probably explained things that may have been above their head and maybe that's where the confusion lies. But I don't think it's shocking to think that they would explain sort of how these things operate in circular units would have been mentioned as a way that is done without having to get Board approval, but we're trying to get squares and that's why we're going to the Board.

MARY QUILLEN: Why would you do that though? That's...it's misleading.

CHARLES BARTLETT: There's no alternative motive here.

JONATHAN YARBOROUGH: It's not a bad motive in doing it. It's just to keep land owners informed. It's not---.

BILL HARRIS: Well, the thing that disturbs me,

I think, that Mr. Hutton actually gave percentages if the circle were used.

MARY QUILLEN: Exactly. Right. That's...yeah.

BILL HARRIS: And I don't think he would just out of the air come up with percentages on how circles would be used.

TONY HOLBROOK: I gave him those percentages just to show him that...he was wanting a 100% out of the well. I was just---.

BILL HARRIS: So, you're saying---.

MARY QUILLEN: So---.

TONY HOLBROOK: ---showing him...trying to showing that no matter what we did that he couldn't a 100%.

MARY QUILLEN: So, you did give him those---.

TONY HOLBROOK: I gave him the numbers of 90% that if we drew a circle around the well on his property---.

MARY QUILLEN: Okay.

TONY HOLBROOK: ---that 90 some percent is all he could get.

MARY QUILLEN: Okay. That's...that's what we wanted to know. He would have no way of knowing that unless somebody told him.

HARRY HUTTON: See I ain't got no reason to lie to you. I mean, it ain't going to affect me neither way. I mean, what they're---

MARY QUILLEN: Well, no, we're not saying that anybody is lying. We just want to know, you know, how...where in the world you came up with those figures and those percentages.

HARRY HUTTON: It was at my house when he drewed that circle.

MARY QUILLEN: And he has just now...he has just now confirmed that and that's what I had asked. What I would like to have is the question answered and you've now answered it that you actually did give him those percentages. Is that what you're saying?

TONY HOLBROOK: I did give him a percentage in trying to explain to him about a 100% out of...come out of that individual well that there was no way that anything that we did would give him a 100% out of that well, yes.

HARRY HUTTON: Can I say one thing?

BUTCH LAMBERT: Yes, sir, Mr. Hutton.

HARRY HUTTON: He...he promised me 93% when he come back and said he couldn't get all the (inaudible) in the circle. He said he had to give Lisa Hale 7% and

me 93. I said that's good enough and I'll sign it. I ain't lying. It ain't nothing. I mean, I'm just trying to tell you the truth.

BILL HARRIS: Well, the only thing that I might add and this is probably not before us, but one of the other items on C-8, which is immediately to the right of that does also include some acreage that you own.

HARRY HUTTON: Yeah, what 20 acres or something or whatever it was.

BILL HARRIS: Yeah.

MARY QUILLEN: 20.4.

BUTCH LAMBERT: 20.4.

BILL HARRIS: Plus that 100 or so---.

HARRY HUTTON: That adjoins my property.

BILL HARRIS: Yes.

HARRY HUTTON: And they're supposed to go through my property to get to that. I give them permission to do that.

BILL HARRIS: Well, I guess the point that I'm making is assuming an orderly development...of course, we don't know what happens in the future, but if something is done to the north of this one, you may have your property all included anyway and it may not be in one unit. In other words, it may be in three units or

four units.

CHARLES BARTLETT: Right.

HARRY HUTTON: But what's the problem though, how many million dollars did it take to drill one well? These millionaires ain't going to drill five wells and not get nothing out of them. That's 20 million dollars. They ain't going to do that.

BILL HARRIS: Well, you know, I can't speak to that, but---.

CHARLES BARTLETT: I hope they don't cost that much.

BILL HARRIS: But if you're concerned about not...about gas that you have under your property not getting to you---.

HARRY HUTTON: Not getting my part or my share. That's all I'm concerned about.

BILL HARRIS: Yeah. Assuming the development proceeds as we've seen this type of development before, eventually...this is not a promise, but I'm saying eventually I would think that they would develop adjacent units, which would eventually cover your acreage.

CHARLES BARTLETT: Right.

HARRY HUTTON: The way...the way I've seen it,

they're still going to like about 7% of giving me a 100% when they drill three wells. Now, that's what I seen wrote.

BILL HARRIS: That could...well...

CHARLES BARTLETT: We hope we will drill 50 wells.

BUTCH LAMBERT: Mr. Yarborough, before I call for a vote from the Board, would you entertain to continue and have continued discussions with Mr. Hutton on square units and how you can involve him more with additional units with the understanding, Mr. Yarborough, probably you need to keep in mind too that even if we approve this today and you come before Mr. Asbury with a permit you could be sometime getting a permit anyway because we're not going to approve the permit until you get your zoning issues resolved?

JONATHAN YARBOROUGH: Can I have one second?

BUTCH LAMBERT: Yes, sir.

JONATHAN YARBOROUGH: All right.

DAVID ASBURY: Mr. Chairman, while they're having a second, could I address Mr. Hutton? We've had conversations back and forth. Again, this...for your acreage ownership of gas, one of the things that the Board tries to do and this is what we're talking about

as this field is developed, and from what I hear from Mr. Holbrook, he represented that there was a circle and you were only going to get 93% and somebody else---.

HARRY HUTTON: Yes.

DAVID ASBURY: ---if this gas field is successful, these units north, east, south and west will likely include a 100% of your property at some time and not just with this first well. Now, rightfully so if they invest in this well and you're getting 75 something with some change percent of this first well that if this not successful, it could mean that the field is not developed. You know, it's a toss up right now. But the Board tries to protect your rights as a gas owner by doing these type of rectangle or square units rather than the circle so that there's no stranded acreage between the circles. So, the unit that they have proposed and that the Board is considering was a 160 acres appears to meet the right field development and the right drainage pattern for the field that Southeast is trying to develop. If successful, then two years from now maybe or three years and they've continued to drill the wells north, east, south and west these units will likely encompass a 100% of your acreage. That's...I just want to be...that's what the Board tries

to do. It may not be with this first well.

HARRY HUTTON: Well, I understand that. But what I'm...what my problem is why didn't they show me all of that to start with? That's the part that bothers me.

DAVID ASBURY: I understand.

HARRY HUTTON: He come to my house and drewed that out too. He showed me and five more people.

BUTCH LAMBERT: Before you answer my question, I want to...I want to ask Mr. Asbury, can...do you have access to the records to see if Mr. Hutton was noticed when the April...when we approved the April units?

DAVID ASBURY: Sure. Yeah, I'll try.

SHARON PIGEON: It's 2700.

HARRY HUTTON: That was the Hall property, wasn't it, the first unit?

BUTCH LAMBERT: Well, I think in that we did more than one unit at that time. So, you may have been noticed.

DIANE DAVIS: It will take a couple of minutes.

(Break.)

BUTCH LAMBERT: We'll go ahead and get started back. The reason that we took a break, is I asked...if we go...if someone would go down and look at our notices

BU

from our June---.

SHARON PIGEON: It was June the 8th.

BUTCH LAMBERT: Well, the docket number is 6.

SHARON PIGEON: Okay.

DIANE DAVIS: These were filed and continued multiple times.

BUTCH LAMBERT: Okay.

SHARON PIGEON: We had an April one too. I thought that was---.

BUTCH LAMBERT: But that's the...the April was the one that, Mr. Absury, you said that from your...what your records shows that we established the units.

DAVID ASBURY: One of the units.

DIANE DAVIS: That was your field order.

BUTCH LAMBERT: The field order from June?

DIANE DAVIS: 2714.

DAVID ASBURY: June the 15th is when they all came before the Board.

BUTCH LAMBERT: June the 15th. Now, this goes back to the time line. Mr. Hutton, when did you sign your lease?

HARRY HUTTON: We just looked at it. When was it?

CHARLES BARTLETT: June the something.

HARRY HUTTON: I'd have to get it and look again. I believe it was July. July the 27th, I believe, it was.

BRUCE PRATHER: It would be on the lease.

TONY HOLBROOK: 2010.

HARRY HUTTON: 2010, July---.

MARY QUILLEN: It was July the something.

HARRY HUTTON: Is it in that one or this one? It may be in this one.

BUTCH LAMBERT: But your...it was in July, is that correct?

HARRY HUTTON: It was in July, yeah. But I don't see it in this one. It's got to be in that one.

TONY HOLBROOK: That's not the lease.

CHARLES BARTLETT: We were just looking at it a minute ago.

HARRY HUTTON: The lease, is this it? See if this is it.

TONY HOLBROOK: No, that's not the lease.

HARRY HUTTON: Well, we see it a while ago. It's here somewhere---.

CHARLES BARTLETT: I didn't steal it.

HARRY HUTTON: ---because me and him looked at it.

TONY HOLBROOK: You throwed it away.

HARRY HUTTON: Right here is some more.

CHARLES BARTLETT: Oh, okay.

HARRY HUTTON: Here's the lease. Let's see when I signed it. The 14th of July, 2010.

BUTCH LAMBERT: Okay. Okay. Here's the timeline that we have on record. In June of 2010, when the company come before the Board for the proposed field rules, which we have a...I have a copy of from that meeting and, Mr. Hutton, I have where you were sent certified by certified mail a notice of these proposed field rules. This---.

HARRY HUTTON: And when was that?

BUTCH LAMBERT: This was...the docket was June of '10...the June the 15th of '10.

CHARLES BARTLETT: But that was sent out before then.

DAVID ASBURY: So, it had to...May the 14th.

BUTCH LAMBERT: It was---.

(Butch Lambert and Sharon Pigeon confer.)

BUTCH LAMBERT: May the 15th, that's right. May the 15th. So, I guess, what we have, Mr. Hutton, is that according to our records that we have you received notice of these field rules that established the square

units. Now, if you...if you were told and I certainly am not disagreeing with what you say that you were told about the circular unit. You may have been. I fully understand that could have happened. But according to our records, you were noticed in May that these would be square units.

HARRY HUTTON: In May?

BUTCH LAMBERT: Yes, sir. According to the certified mail that went out to you that we have a copy of, it went out to you on May of 2010.

HARRY HUTTON: And they would be in squares to be drilled?

BUTCH LAMBERT: Yes, sir. Yes, sir. And we can provide you copies of this if you would like to see them. However, given that, what this Board...I hope have the consensus of the Board is going to recommend that this company comes back and sits down with you and works out these issues with you and, if not, I would encourage you to file a petition to come back before this Board on your own to contest this matter.

HARRY HUTTON: When I come back, I'm going to bring some witnesses.

BUTCH LAMBERT: Okay.

SHARON PIGEON: Okay.

HARRY HUTTON: There will be six of them.

BUTCH LAMBERT: Absolutely. That's what I would encourage you to do and recommend that you do. Okay, I would like a commitment from the company that you all will continue to meet with him and explain to him about the field rules and about the units and how every unit that's added will encompass more of his acreage.

JONATHAN YARBOROUGH: We certainly will, Chairman Lambert. We'll make an effort to keep---.

BUTCH LAMBERT: Do I have anything further from either you, Mr. Hutton or Mr. Yarborough, before I call for a vote to establish this unit?

(No audible response.)

BUTCH LAMBERT: Any further discussion?

HARRY HUTTON: I'd like to say---.

BUTCH LAMBERT: I'm sorry, Mr. Hutton. Go ahead.

HARRY HUTTON: I don't think it ought to be approved until this is settled, I mean, one way or another. If you're going to give them permission to drill---.

BUTCH LAMBERT: No, now, Mr. Hutton, please don't misunderstand here now. This does not give them permission to drill this well. All this...all

this...what we're being asked for the Board to do is to establish the unit, okay, and say that the unit...you can have this 160 acre unit. Now, they have to get a permit in order to drill a well. That permit has to come from Mr. Asbury at our Division of Gas and Oil. Now, there's one other issue that's complicating this whole matter and that's the letter that we have from Washington County.

HARRY HUTTON: I understand.

BUTCH LAMBERT: We won't...we won't allow them to drill that well until this matter is resolved.

HARRY HUTTON: I already knew about that.

BUTCH LAMBERT: So, drilling the well could be sometime down the road for you.

HARRY HUTTON: It could be two or three years.

BUTCH LAMBERT: I can't tell you that and would not even venture to guess.

SHARON PIGEON: Or not at all if this isn't...if this isn't cleared up, there will be no drilling of the well.

HARRY HUTTON: That's what I said. It just needs to be cleared up and we wouldn't...I wouldn't be here...you know, if we met and talked they wouldn't...none of them would talk.

BUTCH LAMBERT: Well, I think...I think to make you more comfortable and other land owners more comfortable, and there's a lot of work to be done before a well can be drilled, and it would be in the company's best interest to come back and sit down with you again and explain to you exactly what's taking place and explain that this is only an approval to establish that unit and to work with you on your acreage and what you can get into that unit and how much...how much that you will---.

HARRY HUTTON: Receive out of the one-eighth proceeds. I understand. But there's one other thing that I'd like to comment about. If they can't be honest in the first dealings, I mean, what's going to happen if they hit gas. I wouldn't get a penny out of it to buy a Big Mac or nothing.

BUTCH LAMBERT: Then you file a petition and come before this Board and we'll hear you.

HARRY HUTTON: That's what I told them I'd buy my family a Big Mac if they hit gas.

RONNIE OSBORNE: Hey, you'll not get that much money.

BUTCH LAMBERT: Anything further before I call for a vote?

MARY QUILLEN: I have just one request from Mr...for Mr. Yarborough.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: On your B to separate our your leased and unleased, we need the total percentage of unleased. If you could just include a B-3 with that or separate...down at the bottom of the line the totaled leased and total unleased.

JONATHAN YARBOROUGH: Okay. We do have that on our next docket number, which is the pooling application.

MARY QUILLEN: Yeah.

JONATHAN YARBOROUGH: We can---.

MARY QUILLEN: Right. But it...this is the first one we see. So, it really needs to be on this.

JONATHAN YARBOROUGH: Okay. Do you want us to---?

BUTCH LAMBERT: And also, Mr. Yarborough, the Board before moving forward and calling for a vote, we would like a new Exhibit A that shows the language at the top. I think all of our exhibits have that language. It cut off maybe from a fax. If you could just share that with Mr. Asbury.

JONATHAN YARBOROUGH: Sure.

HARRY HUTTON: I'd like to make one other comment.

BUTCH LAMBERT: Yes, sir.

HARRY HUTTON: When I come back, I'm going to bring the property...my property with that circle drawn on it. I will bring it back and show everybody.

BUTCH LAMBERT: Okay. I wished you had it with you today.

HARRY HUTTON: I told them I've got so much that's hard to keep...I got a dozen of these. I can't keep up with everything.

BUTCH LAMBERT: Okay. Do I have a motion?

(No audible response.)

BUTCH LAMBERT: Well, hearing no motion, Mr. Yarborough, that...your request is not approved.

JONATHAN YARBOROUGH: Okay.

BRUCE PRATHER: Mr. Chairman.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I think what we're doing is we're deferring approval of this permit until this problem with the county is resolved.

BUTCH LAMBERT: Well, we're not deferring the permit.

BRUCE PRATHER: No.

BUTCH LAMBERT: What the request is is to establish the unit?

BRUCE PRATHER: The unit, yeah.

SHARON PIGEON: Mr. Prather, if you want to continue this, you should make a motion to that affect. Otherwise, failure for lack of a motion means these folks have to refile and new fees paid and all of that. So, if you want to defer it, I'm not saying that's what you want to do, but if that is what you think you're doing, you need to do it by a motion for a continuance.

BRUCE PRATHER: I think I'd feel more comfortable deferring it until we get all of these other stuff resolved.

BILL HARRIS: So, is that a substitute motion?

BRUCE PRATHER: Well, I don't exactly how to put it.

BILL HARRIS: It's not a substitute.

BUTCH LAMBERT: I don't know. We didn't have a motion. I called for a motion and we did not get a motion. So, do we have a motion?

MARY QUILLEN: To defer---.

SHARON PIGEON: To continue it.

MARY QUILLEN: Or to continue it, I'm sorry. To continue this until we have the issue with Mr. Hutton

resolved.

BRUCE PRATHER: And the county.

BILL HARRIS: And the county. Or is that---?

BUTCH LAMBERT: Well, the county...the county zone would be a permit issue.

MARY QUILLEN: That's a permitting issue.

BRUCE PRATHER: Yeah.

MARY QUILLEN: But I think the issue with Mr. Hutton's concerns---.

BRUCE PRATHER: I think that's a pretty good idea.

BUTCH LAMBERT: To continue---.

MARY QUILLEN: Continue this item until the issues have been clarified and satisfied with Mr. Hutton.

BRUCE PRATHER: Between Mr. Hutton and the company.

MARY QUILLEN: Exactly. Between Mr. Hutton and Southeast Land.

CHARLES HALES: I don't understand what you're saying.

MARY QUILLEN: I'm making a proposal that we continue this item until the issue with Mr. Hutton is satisfied.

CHARLES HALES: What is the issue with Mr. Hutton?

HARRY HUTTON: He has not been listening, has he?

(Laughs.)

CHARLES HALES: I mean, the issue is...I mean, we've heard testimony all day about some sort of orderly provision of drilling units, a square---

MARY QUILLEN: Your attorney just agreed.

CHARLES HALES: Huh?

MARY QUILLEN: Your attorney just agreed to continue to work with this gentlemen.

CHARLES HALES: Well, I didn't...but I didn't understand what you were saying.

MARY QUILLEN: Your attorney just agreed to continue...to work with Mr. Hutton to work out this issue that he has.

JONATHAN YARBOROUGH: I didn't necessarily agree to the continuance. But I certainly agreed to work with him to get these issues resolved. We want to work with all of our land owners and make sure that they're happy and satisfied.

MARY QUILLEN: Right.

JONATHAN YARBOROUGH: Maybe that was the problem

and worked with them a little bit too much and got them confused with these circles. But, I mean, I'm not going to sit here and say that I agreed to a continuance. I think---.

MARY QUILLEN: Well, no, no, I'm not saying that you agreed to a continuance because that's the Board---.

JONATHAN YARBOROUGH: That's without...I don't have any discretion...I have no---.

MARY QUILLEN: Yeah, that's...you agree...right. You agreed to work with Mr. Hutton and we are proposing to continue the item until the issue has been resolved with Mr. Hutton. That's our proposal or our...yes, the Board...to the Board.

CHARLES HALES: Now, we've heard testimony today that as these units are drilled at some point he will get...you know, if there's gas on it, he would get a 100% of his land in there. Are you wanting us to try to get a 100% in this one unit here that we're working on? Is that---?

MARY QUILLEN: Don't try to put words in my mouth. That's---.

BUTCH LAMBERT: Ms. Quillen, may I...may I try to make it clearer?

MARY QUILLEN: Sure.

BUTCH LAMBERT: I think the motion would be that the company go back to work with Mr. Hutton and Mr. Hutton be satisfied with the square units and that this...and the Board...I don't want to put words in Ms. Quillen's mouth. But her motion would be to continue it for thirty days?

MARY QUILLEN: Correct.

BUTCH LAMBERT: Until Mr. Hutton is satisfied that the square units is what it should be.

HARRY HUTTON: That's fine.

BUTCH LAMBERT: Now, I---.

HARRY HUTTON: I tried...I tried to work with them, but they wouldn't even talk to me.

CHARLES BARTLETT: You never called me a single time.

BUTCH LAMBERT: So, we have that...gentlemen, there's no more discussion. I've called for a vote. I've called for a motion. We have the motion on the table that we continue this for 30 days to allow the company to meet with Mr. Hutton and to better work with Mr. Hutton on explaining the field rules and the square units. Is that...I'm I---?

MARY QUILLEN: That's correct.

BUTCH LAMBERT: Okay. Okay, so, I have a

motion. Do I have a second?

BRUCE PRATHER: I'll second it.

BUTCH LAMBERT: I have a motion and a second.

All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you. This...the motion is to continue this until the next meeting.

JONATHAN YARBOROUGH: Mr. Chairman, that will also effect the next three docket items, one which is pooling of C-7, the other one is the establishment of C-8 and then pooling of C-8 because without Mr. Hutton's percentage in C-8---.

HARRY HUTTON: I want to say something regarding to C-8. They've got to go through me to get to that. This needs to be resolved too.

BUTCH LAMBERT: Okay. We will get to that one in just a second.

SHARON PIGEON: Are you asking those be continued?

JONATHAN YARBOROUGH: We are asking that those be...in light of the Board's decision on this. I don't think we have any other choice.

BUTCH LAMBERT: On seventeen...item seventeen and eighteen?

BILL HARRIS: And nineteen.

BUTCH LAMBERT: And nineteen?

JONATHAN YARBOROUGH: That would be...it looks like it's nineteen, twenty and twenty-one.

BUTCH LAMBERT: Okay. Nineteen, twenty and twenty-one you want to continue---.

BILL HARRIS: What I understand---.

MARY QUILLEN: Which one does this lady have?

BILL HARRIS: ---C-7 and C-8 involves Mr. Hutton's property.

JONATHAN YARBOROUGH: Right.

BILL HARRIS: You said twenty, that's D-4.

MARY QUILLEN: And that's not his property.

JONATHAN YARBOROUGH: D-4 is twenty-two and twenty-three is what I have.

CHARLES BARTLETT: D-4 has nothing to do with Mr. Hutton.

JONATHAN YARBOROUGH: I know. I know. I understand that. I'm not asking that it get continue.

BILL HARRIS: Our twenty is the establishment for D-4 and twenty-one is the pooling of D-4 for twenty and twenty-one. So, we want to make sure we have the

right numbers.

HARRY HUTTON: I'm I done.

BUTCH LAMBERT: No, sir.

HARRY HUTTON: Okay.

BUTCH LAMBERT: Hang on just a minute.

SHARON PIGEON: We want you to hear this.

BUTCH LAMBERT: You don't get to go home early.

HARRY HUTTON: My heart is hurting.

MARY QUILLEN: Like the D-4, number twenty, Mr. Hutton is not involved in.

BILL HARRIS: Oh, okay. So---.

BUTCH LAMBERT: Oh, okay. Okay. So, it---.

BILL HARRIS: I'm sorry, that's probably---.

MARY QUILLEN: Mr. Hutton is not involved in D-4.

BUTCH LAMBERT: So, we are talking about, on the docket, items seventeen continued until April. Let me read that into the record. A petition from Southeast Land & Mineral, LLC for pooling of units C-7, docket number VGOB-11-0315-2919 continued until April. Is that correct, Mr. Yarborough?

JONATHAN YARBOROUGH: Yes.

BUTCH LAMBERT: Number eighteen, a petition from Southeast Land & Mineral, LLC for the establishment of

160 acre provisional drilling unit C-8, docket number VGOB-11-0315-2920 continued until April.

JONATHAN YARBOROUGH: Yes, sir.

BUTCH LAMBERT: And nineteen?

JONATHAN YARBOROUGH: That's right. Correct.

BUTCH LAMBERT: A petition from Southeast Land & Mineral, LLC for pooling of unit C-8, docket number VGOB-11-0315-2921 continued until April. Now, Mr. Hutton...Mr. Hutton, you can leave now.

HARRY HUTTON: I can leave?

BUTCH LAMBERT: Yes, sir.

HARRY HUTTON: Thank you all. I appreciate your time.

SHARON PIGEON: Do you understand what happened?

BUTCH LAMBERT: Mr. Hutton, do you have any questions about what happened?

HARRY HUTTON: I'll call Mr. Asbury.

SHARON PIGEON: Okay. That's a good idea.

HARRY HUTTON: I've talked to him several times. We'll see you.

BUTCH LAMBERT: And now we're calling docket item number twenty, a petition from Southeast Land & Mineral, LLC for the establishment of a 160 acre provisional drilling unit D-4, docket number VGOB-11-

0315-2922. All parties wishing to testify, please come forward.

JONATHAN YARBOROUGH: Mr. Chairman, Jonathan Yarborough and Charlie Hale and Charlie Bartlett. I'd like to incorporate the testimony from the establishment of C-7 into this testimony, if I may, other than just a few questions that I just want to ask about its relationship and location.

BUTCH LAMBERT: The testimony...for the background of the establishment of the units accepted.

JONATHAN YARBOROUGH: Okay. Thank you, sir.

BUTCH LAMBERT: Ms. Antsey, will you be testifying in this one? Is this one that you---?

KAREN ANSTEY: Yes, sir.

BUTCH LAMBERT: Okay. Could you state your name for the record, please?

KAREN ANSTEY: Yes. Karen Anstey, Abingdon, Virginia.

DAVID ASBURY: Could you spell your last name, please?

KAREN ANSTEY: A-N-S-T-E-Y.

DAVID ASBURY: Thank you.

BUTCH LAMBERT: And she has been sworn?

COURT REPORTER: Yes.

BUTCH LAMBERT: Okay. Okay, you may proceed,
Mr. Yarborough.

JONATHAN YARBOROUGH: I'm going to call Mr. Hale
first to cover the notice.

CHARLES M. HALE
having been duly sworn, was examined and testified as
follows:

DIRECT EXAMINATION
QUESTIONS BY MR. YARBOROUGH:

Q. Mr. Hale, you had state your name
earlier.

A. Charles M. Hale.

Q. And you're employed?

A. With Southeast Land & Mineral Company
as---.

Q. Okay. Have all oil and gas property
owners within this unit that are required by statute to
have been notified of this hearing been notified?

A. They have.

Q. And has that been done by certified mail
return receipt requested?

A. It has.

Q. And have we received all of those

receipts?

A. Yes, we have.

Q. And is it your testimony that you've been able to locate and identify all of those who should receive notice of this hearing?

A. Yes, we have.

Q. Did you publish that notice in a paper of general circulation in the county?

A. Washington County News, Abingdon, Virginia.

JONATHAN YARBOROUGH: Okay.

CHARLES BARTLETT

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. YARBOROUGH:

Q. And, Dr. Bartlett, I'm just going to ask you one question. Where in relation to...would you just

tell the Board where this particular well is located?

A. We had talked earlier about the Blakewell and this is the west offset to the unit that contains the Blakewell, the first well that was drilled on this structure. This is on the Smith property, which is a large track down in the south corner of it. Look at your Exhibit A. It is located in the northeast corner of the 160 acre unit.

JONATHAN YARBOROUGH: All right. That's all the questions I have, Mr. Chairman. I would make the same motion to strike, I believe, it's 4.8 from the application.

MARY QUILLEN: 8.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Yarborough.

JONATHAN YARBOROUGH: At this point, I'd make a motion to approve the establishment of the D-4 drilling unit.

KAREN ANSTEY: Mr. Chairman.

BUTCH LAMBERT: Ms. Anstey.

KAREN ANSTEY: I would appeal to the Board that you not approve it for the following reasons: My husband

and I own seven and a half acres on top of Gum Hill. We were approached by Gus Sorenson, who is the lease broker for Southeast Land & Mineral. I...after looking at the lease and reviewing it, I had questions. First of all, Mr. Sorenson has not been to my...has not spoken to me five times, which I understand is the law. On the fourth time that he was there that he did speak with me...now in fairness, he did come to our home left a business card and sorry I missed you again a lot of the times that apparently he showed up and we were not home. So, technically, if you want to say that five, it could be construed as that. However, where he failed was that he did not negotiate in good faith. I had tons of questions. For example, if our property was used for the drilling site, who determined where the pipes were laid? Who...you know, the egress and the...who...going on and off the property and who protected...in other words, what I'm trying to do is to protect our investment and our surface. I had...after going through all of these questions in my mind, which he did not answer, I narrowed down three things that were important to me that I would sign the lease. I'm not against the lease. We need natural resources. That's not the issue. The issue is they didn't acknowledge, did not

address and did not consider my concerns. It was not negotiated in good faith. Until they do so, I don't think the Board should approve it. I don't think they met the criteria of the law.

BUTCH LAMBERT: Ms. Anstey, how many acres did you say that---?

KAREN ANSTEY: 7...well, 7.46.

BUTCH LAMBERT: And is all the---.

CHARLES BARTLETT: 8.32 is what we have.

BUTCH LAMBERT: Yeah, there's some discrepancy on the exhibit that we have. The company is representing that you have 8.32 acres.

KAREN ANSTEY: It's possible because as I understand when we bought the property that a Judge...the property goes down and at the back there's a creek and there was some legal litigation. The 7.46 that I'm giving you is what was on our deed. So, if there's a discretion, we've not been told that we have more ground than we thought we did.

BUTCH LAMBERT: But you have a surveyed deed, is that correct?

(No audible response.)

MARY QUILLEN: And it's 7.---.

KAREN ANSTEY: I might even...I might have it

with me. I didn't anticipate being asked that question.

BUTCH LAMBERT: Well, it's just that we're just trying to clear up testimony versus what we've been given in our exhibit, which actually for you if they're giving us more acreage than you really own you're getting more percentage that's within the unit. So, you're actually coming out a little better.

CHARLES BARTLETT: Yeah, we're being generous.

SHARON PIGEON: Maybe you don't want to look for that after all.

BUTCH LAMBERT: Any other questions from the Board for Ms. Anstey?

KAREN ANSTEY: Yeah, we're talking about back here. There was some discussion because this is the creek and it was down here---.

CHARLES BARTLETT: The location proposed is way back here.

KAREN ANSTEY: Oh, okay. Well, I didn't know that. That's not the point. I still want a separate lease for gas and oil and mineral. I mean---.

CHARLES BARTLETT: That would be fine.

KAREN ANSTEY: Okay. I want a specific date of termination because item 1A and item 10 of the lease provide leaseholds. I want it renegotiated at the end

of five years. The lease is for five years. I want it renegotiated at the end of five years. The third thing that I want is if it were to be sold...is it all right for me to address him since he addressed me?

BUTCH LAMBERT: Well---.

KAREN ANSTEY: You said to address you.

BUTCH LAMBERT: We would prefer...this Board would generally prefer you to address the Board and we can relay it for you.

KAREN ANSTEY: Okay. And the third thing is if they were to sell the lease, I would want the right to approve who buys it. I don't think they're on your list. It's not inhabiting what they want to do. It's just protecting my investment and my surface rights.

BUTCH LAMBERT: We appreciate your concerns, Ms. Anstey. What...this Board does not get involved in lease rights and we don't give opinions on leases. That's the responsibility of the company. However, the company is not negotiating with you and hasn't negotiated with you in good faith, this Board can recommend the company to come back to you and do that. You heard the entire testimony from the previous case with Mr. Hutton. This Board is concerned that the company's do talk with and have a good working

relationship with the land owner and the gas and mineral owners out there.

KAREN ANSTEY: Mr. Chairman, not only did they not negotiate in good faith, when I told Mr. Sorenson, I said to Gus, this is what I want. You come back to me and Bob and I sign it immediately. He said, "Well, there are other ways to do this." I said to him, "Are referring about the law that allows you to pool?" He did even have the courtesy to answer me. He knew that I knew. So, it has left a bad taste in my mouth for Southeast Land & Mineral because they just didn't do their job.

BUTCH LAMBERT: Apparently, you've done some very good research on the law and what's required. I appreciate that. This Board really appreciate you doing your research.

KAREN ANSTEY: Well, you know, I think the problem is that most people don't realize that if they don't sign the lease they can be pooled anyway. I think that's a failure on the law's part not to make the owners tell the property owner and to tell them that they're going to be pooled anyway. You know, I think it does an injustice to the purpose of the law by not making sure that other people...I mean, that the owners

know. If what happened in another part of Virginia that was highly published in the Bristol Herald, I wouldn't have had a clue. I wouldn't have known and all of these...there's 40%...better than 40% who haven't signed the lease and why not? I wonder if that...if those people realized that they can be pooled anyway...that they really have no say.

BUTCH LAMBERT: Well, unfortunately, this Board has to operate within the law...well, not unfortunately, but that's our charge. That's what we're supposed to do and just clearly stated the law that this Board has the authority to force pool. I'm not saying that and telling you that that's what this Board may or may not do here today. But I think it would be in the best interest if a company would come back and talk with you before moving forward with this one. From the information that you've provided us, you certainly appear that you're willing to work with the company on any requests that they may have or you may have. But I, you know...and you do...I think you do understand that we do under the law can proceed with force pooling.

KAREN ANSTEY: Oh, I understand that.

BUTCH LAMBERT: And you do. You've made that clear. But, again, you've raised a lot of concerns that

I think the company ought to address as far as your relationship and future relationships with any activities that may be going on your property or near your property. I just had that for discussion. Any discussion from the Board?

BILL HARRIS: Let me just ask a question. I know that we're probably not at the point of providing roads there or whatever. But is there some plan that will...she asked about access and egress about...to the well. Is there a road already in place? Is one planned at some point? I know when you all usually lease property you know if that...I won't say that you know at that time, but if you expect at that time that the roads is going to go through their property or not go through their property.

CHARLES BARTLETT: May I answer part of that? We have had an invitation from owner number 10...in fact, he has already constructed the roads for us---.

BILL HARRIS: Okay. So---.

CHARLES BARTLETT: ---to work with him when we're ready to drill the well. So, we will---.

BILL HARRIS: So, access will be through that lot...that particular---?

CHARLES BARTLETT: We do have him under lease.

So, we do have access through him. We'll probably use that and then pay him some damages for his trouble to build the road for us. We'd probably have to improve it some. Let me further comment that Mr. Sorenson, for Ms. Anstey, has been ill. He has not been well from time to time and may have not responded to her as she would have desired because of periods of illnesses that he has had. I apologize for that, but there's nothing I could do about it.

BUTCH LAMBERT: So, Mr. Yarborough and Mr. Bartlett, would you be willing to commit to go back and work with Ms. Anstey and her concerns?

CHARLES BARTLETT: I will...I will see that it is done, yes.

KATIE DYE: Mr. Chairman.

BUTCH LAMBERT: Ms. Dye.

KATIE DYE: I have a question on their Exhibit B. I notice that Tracts 10 and Tracts 13 are under lease to a Mountain V Corporation from West Virginia. Did those folks receive notice?

JONATHAN YARBOROUGH: I'm not sure without looking at the certified general receipts. But I don't think they have. I know that we do have an agreement with them to market their leased lands. So, they

are...they have an understanding that we're doing that. But as far as the formal notice certified mailing return receipt requested, I'm not sure.

CHARLES BARTLETT: We have talked to them and they wanted to sell all of their leases to us. We were interested in partners in the leases, but they had some way off structure stuff that we didn't want to pay money for. So, we have not been an active negotiations with them. But that is still remaining a possibility.

MARY QUILLEN: Are you saying you haven't been active with that Mountain V Corporation or with Eddie Alexander?

CHARLES BARTLETT: With Mountain V Corporation.

JONATHAN YARBOROUGH: We actually do have a signed agreement with Mountain V to market their...market come of their leases.

MARY QUILLEN: Okay. What about Eddie Alexander? What have you...what kind of contact have you had with him? He's the one that owns those two pieces of land.

CHARLES BARTLETT: Well, if we acquired that lease from Mountain V or an assignment from them, we don't need to talk to him. I think I'm correct in this. If we have this agreement with Mountain V we

automatically have access to his property. The lease is ours.

MARY QUILLEN: But have you contacted him?

JONATHAN YARBOROUGH: Yeah, we have spoke with Eddie Alexander.

MARY QUILLEN: And he is in agreement with this lease that you have? I mean, he's okay with that?

JONATHAN YARBOROUGH: Yes.

MARY QUILLEN: You're sure?

TONY HOLBROOK: That's what he says.

MARY QUILLEN: Okay. Okay. But when it's a third party, you know, sometimes miscommunication and...I just want to be sure that those folks that actually own the land have been actively involved and are okay with this agreement.

TONY HOLBROOK: In fact, Mr. Alexander was here earlier this morning. I don't see him now, but he was here.

CHARLES BARTLETT: We do have a potential alternative to come across Mr. Smith's land to get to Mr. Smith's location. It's much more difficult and expensive location to get to and this is the most direct and least expensive way.

MARY QUILLEN: Right. Because there's Rt. 799.

All you have to do is---.

CHARLES BARTLETT: Right.

MARY QUILLEN: ---go across Tract 10 and be right up the thing, which, of course, that's disturbance of that man's property.

CHARLES BARTLETT: The least expensive and the least disturbance to the land.

BUTCH LAMBERT: Any other discussion?

TONY HOLBROOK: To clarify that, Eddie Alexander has actually built a road for us and it's just waiting---.

MARY QUILLEN: Oh, he is the one that built it and not the Mountain V people?

TONY HOLBROOK: No, Eddie built it himself... Eddie Alexander built it himself.

MARY QUILLEN: Okay. Okay. Okay.

CHARLES BARTLETT: He's inviting us to get back there and drill that well.

MARY QUILLEN: Okay. That's fine. That's good. That's good.

BUTCH LAMBERT: Anything further, Mr. Yarborough?

(No audible response.)

BUTCH LAMBERT: Before I call for a motion, I

think I have a commitment from the company and Mr. Yarborough that you will immediately go back out and meet with Ms. Anstey to address her concerns. If not, Ms. Anstey has the right to file a petition to come before this Board again if you aren't satisfied with the results.

KAREN ANSTEY: Thank you.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Just one---.

BUTCH LAMBERT: Oh, I'm sorry. Go ahead.

MARY QUILLEN: Just one more comment about that to follow up because I know that you are asking to pool all the unleased. I would hate to see her leased...I mean, pooled when she's willing to work this out.

CHARLES BARTLETT: Sure.

MARY QUILLEN: Can you get that done before this pooling order?

BRUCE PRATHER: Well, it should---.

BUTCH LAMBERT: Well, I think we're just establishing the 160 acre unit right now.

MARY QUILLEN: But the next item on the agenda is for pooling it is what I'm saying.

BUTCH LAMBERT: That's correct.

MARY QUILLEN: Yeah.

BUTCH LAMBERT: Okay.

BUTCH LAMBERT: A good question.

MARY QUILLEN: Yeah. Because I'd hate to see her pooled and then have to go through that whole process of, you know, releasing and disbursement and that sort of thing when you could, you know, work out this...with her without pooling her or---.

BUTCH LAMBERT: We could do that. We do it all the time.

JONATHAN YARBOROUGH: Right. And the law allow us to continue to work with her to address her concerns.

MARY QUILLEN: That's what I'm saying. Do you...will you agree to do that, that you will work with her to get that so that she won't be pooled?

BUTCH LAMBERT: And if you do get her leased, you can come before the Board and---?

CHARLES BARTLETT: Yeah.

JONATHAN YARBOROUGH: So, are you asking us to continue the pooling?

BUTCH LAMBERT: No.

MARY QUILLEN: No, no, no. No, no. What I'm asking you is your word---.

JONATHAN YARBOROUGH: I gotcha. Oh, yeah, absolutely...absolutely, we will work with her. Yes.

MARY QUILLEN: We're asking for your word that you will take care of this lady.

JONATHAN YARBOROUGH: You have his word. No, I'm just kidding. You have my word.

MARY QUILLEN: And Dr. Bartlett gave his word. So, we're---.

JONATHAN YARBOROUGH: The reason I say is that I'm actually my job and I'll be in South Carolina. The new lawyer will give you his word as well as Dr. Bartlett's word.

MARY QUILLEN: Well, we'll take---.

BUTCH LAMBERT: Well, we hate to see you go, Mr. Yarborough.

CHARLES BARTLETT: We will try to come to a reasonable conclusion. I don't want to say that I'll agree to everything that she has already mentioned. We will try to work something out.

BUTCH LAMBERT: Well, it sounds like what she has is property concerns where lines are going to be located on your property and if you sell the property. It don't sound to me like those are---.

KAREN ANSTEY: A determination of the lease---.

BUTCH LAMBERT: Oh, renewal of the lease.

KAREN ANSTEY: Yeah, I want that renewed in five

years and---.

BUTCH LAMBERT: Well---.

SHARON PIGEON: We don't with lease terms.

BUTCH LAMBERT: Again, we don't leases. We're just getting a commitment from the company that they will come to you to work out those issues.

MARY QUILLEN: And we have Dr. Bartlett's word. So, that's---.

CHARLES BARTLETT: I want everybody to be happy.

MARY QUILLEN: Good enough for me.

BUTCH LAMBERT: Okay. So, do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: I'll second that.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Okay. Thank you, Mr. Yarborough, it's approved.

(Butch Lambert and Sharon Pigeon confer.)

BUTCH LAMBERT: Yes, Mr. Yarborough, we need a new Exhibit A that's not cut off.

SHARON PIGEON: With the legend on it.

BUTCH LAMBERT: Okay. Now, we're calling docket item twenty-one, a petition from Southeast Land & Mineral, LLC for pooling of unit D-4, docket number VGOB-11-0315-2923. All parties wishing to testify, please come forward.

JONATHAN YARBOROUGH: Jonathan Yarborough and Charlie Hale for Southeast Land Mineral.

BUTCH LAMBERT: You may proceed, Mr. Yarborough.

JONATHAN YARBOROUGH: Okay. Thank you.

CHARLES M. HALE

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. YARBOROUGH:

Q. Mr. Hale, if you'd state your name for the record, who you're employed by and in what capacity.

A. Charles M. Hale, Southeast Land & Mineral and I'm a mining engineer.

Q. Have all of the oil, gas and property owners within unit D-4 that are required by statute to

have been notified of this hearing been notified?

A. They have.

Q. Has this been done by certified mail return receipt requested?

A. It has.

Q. Have you received all of those receipts?

A. Yes, we have.

Q. And as we talked about earlier, Mountain V is aware that we are marketing their leases on their behalf?

A. Absolutely.

Q. Okay. Is it your testimony that you've been able to locate and identify all who should receive notice of this hearing?

A. Yes.

Q. Okay. Did you publish notice in the paper of general circulation in the county where this unit is located?

A. Washington County News, Abingdon, Virginia.

Q. And has an affidavit of due diligence been submitted to DMME?

A. Yes.

Q. And you've...we filed to pool any

unleased interest in D-4?

A. Yes, D-4. That's correct.

Q. Okay. Southeast Land & Mineral own drilling rights in the unit...in this unit?

A. Yes, they do.

Q. Prior to the filing of this applications, were efforts made to contact each of the respondents owning an interest in the unit and attempt to make...to work out a voluntary lease agreement with each?

A. We have. It's ongoing. We want to lease everyone that would like to lease.

Q. Okay. What is the interest under lease to Southeast Minerals in the gas estate in this unit?

A. D-4 is 59.98%.

Q. And the unleased parties are set out in Exhibit, I believe, that's what B-3?

MARY QUILLEN: We don't have a B-3 in our packets.

JONATHAN YARBOROUGH: We'd ask that be able to submit a late Exhibit B-3.

Q. The only...are the unleased parties listed in Exhibit B?

A. Yes.

Q. As well as the leased parties?

A. Yes.

BUTCH LAMBERT: You will submit that to Mr. Asbury---?

JONATHAN YARBOROUGH: Yes, Mr. Chairman.

BUTCH LAMBERT: ---soon?

JONATHAN YARBOROUGH: Yes. Very soon.

BUTCH LAMBERT: Okay.

Q. So, how...what percentage of the gas estate remains unleased?

A. D-4 it is 40.02%.

Q. In your professional opinion, was due diligence exercised to locate each of the respondents... unleased respondents named in Exhibit B?

A. Yes.

Q. Are the addresses set out in that same exhibit are the last known addresses fro the respondents?

A. They are along with the tax map numbers.

Q. Okay. Are you requesting the Board to force pool all unleased interest that are listed in Exhibit B that will also be separately in late filed Exhibit B-3 with the Board?

A. I am.

Q. And could you advise the Board to what the terms are?

A. Five dollar paid up bonus for five years...for a five year term per acre and a one-eighth royalty.

Q. In your opinion, does that term just...that you just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes, it does.

Q. As to those respondents listed currently in Exhibit B that are unleased and that will be submitted in late filed Exhibit B-3 do you agree that they should be allowed the following statutory options: 1) Direct participation; 2) a cash bonus of five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled accruing to his or her interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds

applicable to his or her share interest equal, 300% of the share of such costs applicable to the interest of the carried operator of a leased tract or portion thereof or 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. I do.

Q. Do you recommend that the order provide that elections by respondents be in writing and sent to the applicant at Southeast Land & Mineral, 254 Bradley Street, Abingdon, Virginia 24210.

A. I do.

Q. Do you recommend that the order provide that if no written election is properly made by a respondent, then such respondent should be deemed to have elected the cash royalty option lieu of any participation?

A. Yes, I do.

Q. Should the unleased respondents be given 30 days from the date that they receive the recorded Board order to file their written elections?

A. Yes.

Q. If an unleased respondent elects to participate, should they be given 45 days to pay their proportionate share of the actual well costs?

A. Yes, they should.

Q. Does the applicant expect the party electing to participate to participate to pay in advance that party's share of actual well costs?

A. Yes.

Q. Should the applicant be allowed a 120 days following the recordation date of the Board order and thereafter annually on that date until production is achieved to pay or tender any cash bonus or delay rental becoming due under a force pooling order?

A. Yes, I do.

Q. Do you recommend that the order provide that if a respondent elects to participate, but fails to pay their proportionate share of actual well costs then that election to participate should be treated as having been withdrawn and void and such respondent should be treated as if no initial election had been filed under the Board, in other words, deemed to have been leased?

A. Yes, I do.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults in regard to the payment of well costs any cash sum becoming payable to that respondent be paid within 60 days after the last date on which the applicant could have successfully

paid those costs?

A. Yes.

Q. And who should be named operator under the force pooling order?

A. Southeast Land & Mineral, LLC.

Q. What is the total depth of this proposed well under the plan of development?

A. This well is going to go approximately 7,400 feet.

Q. Do you have the estimated reserves over the life of the unit?

A. 250 to 300 million mcf.

Q. Are you familiar with the well costs?

A. Yes, I am.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes, it has.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. It does.

Q. Could you state both the dry hole costs and completed well costs for this well?

A. The dry hole cost are \$500,008... \$508,000...\$508,500.

Q. And---?

MARY QUILLEN: That's not what's on the AFE.

SHARON PIGEON: The dry hole?

BUTCH LAMBERT: The dry hole?

A. Oh, the completed...the completed costs are---.

MARY QUILLEN: The dry hole costs.

Q. The dry hole costs and the completed, tell us---.

A. The dry hole costs are \$508,500.

MARY QUILLEN: That's not what's on the AFE on the dry hole.

A. That's the dry hole cost.

MARY QUILLEN: Here's the completed right here and here's the dry hole.

SHARON PIGEON: Maybe Mr. Hale should testify about this. He signed it.

A. Do you have one with my signature on it?

SHARON PIGEON: Uh-huh.

A. May I see yours?

SHARON PIGEON: You certainly may.

A. Well, I'm glad you got mine because I don't have my signature on the one that I was looking at.

SHARON PIGEON: Well, I can't address that.

A. The total dry hole costs is \$514,900.

Q. And the completed well costs?

A. \$898,560.

Q. Does your AFE include a reasonable charge for supervision?

A. Absolutely.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and protection of correlative rights?

A. It would.

JONATHAN YARBOROUGH: No further questions, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

BRUCE PRATHER: I've got one question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: You were reading the thing so fast, but from what I heard in there...I think I heard this right, but anyway it says that the bonus is going to be recouped by you from the net income from the well. Is that correct? The bonus given to the royalty owners is recouped from the net.

CHARLES BARTLETT: I don't think that's in the

lease.

BRUCE PRATHER: I mean, we've had this happened before. I think he said something to that effect up there at the front. He was going so fast. Something about from the net. We've had this before and it's not exactly---.

JONATHAN YARBOROUGH: That was the---.

CHARLES HALES: Was that the last statement you asked me?

BRUCE PRATHER: Is it the bonus or what is being recouped from the net?

CHARLES HALES: A cash bonus of five dollars paid up per net mineral acre with a one-eighth bonus.

JONATHAN YARBOROUGH: We were just reading the statutory options.

BRUCE PRATHER: Yeah, well, I mean, that's all right. But the thing about it, we've had people come in here wanting to recoup the bonus from the net from the well.

JONATHAN YARBOROUGH: I don't think we're asking for that.

BRUCE PRATHER: And so if you're not asking for that then I'm out of order, but you were going so fast I wasn't sure of what you said.

CHARLES HALES: Are you talking about---?

MARY QUILLEN: And we've heard it before and that's the reason we---.

BRUCE PRATHER: Yeah, we've heard it before.

CHARLES BARTLETT: Yeah, I don't think we've ever had that in any of our proposed leases.

MARY QUILLEN: Our ears pick up...perk up when we hear that.

CHARLES HALES: In lieu of a cash bonus, one-eighths of eight-eighths royalty share of the operation of the well on a carried basis.

JONATHAN YARBOROUGH: I was talking fast. I probably confused you going over the statutory options.

BRUCE PRATHER: That's the reason that I brought it up because I wasn't for sure what you said.

BUTCH LAMBERT: You want to South Carolina?

JONATHAN YARBOROUGH: Yeah.

CHARLES BARTLETT: I would note that we do not have in our leases any post production charges.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Okay. Ms. Anstey.

KAREN ANSTEY: I'm sorry, I was looking for what

he questioned because I have a copy of the lease.

BUTCH LAMBERT: Any comments on this one or concerns?

KAREN ANSTEY: No.

BUTCH LAMBERT: Okay. I have one. Mr. Asbury, do we have a...did you get a second page to the documents that we received from Washington County on the zoning issue? We have one page that seemed to stop in the middle of a paragraph in the middle of a sentence.

MARY QUILLEN: The order...actual order looks like it should be more than one page.

DAVID ASBURY: There's more than two pages I remember on the original.

BUTCH LAMBERT: If you have that, if you could just see that the Board members gets a copy of that in their packets, please.

DAVID ASBURY: Yes, sir, I will.

BUTCH LAMBERT: Okay, thank you. Anything further, Mr. Yarborough?

JONATHAN YARBOROUGH: No, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve with those revised items and the B-3 and I believe it was the Exhibit A we asked for a copy that had all the

information on it and the B-3 and Mr. BARTLETT's word that he is going to work Ms. Anstey to take care of this.

BUTCH LAMBERT: I have a motion. Do I have a second?

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Yarborough. It's approved.

KAREN ANSTEY: Thank you, Board.

BUTCH LAMBERT: Thank you. Calling docket item twenty-two. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well 900022, docket number VGOB-11-0315-2924. Mr. Yarborough, good luck.

JONATHAN YARBOROUGH: Thank you. I appreciate it.

BUTCH LAMBERT: Nice having you before the Board.

DAVID ASBURY: We have four pages with the Washington County document. Did your packet not---?

BUTCH LAMBERT: Our packet has got the first page.

DIANE DAVIS: Your packet I think got what was faxed originally and instead of the original. I didn't have the original.

BUTCH LAMBERT: Okay. We're just concerned that it didn't down to the end and say just kidding.

DIANE DAVIS: I wanted to make certain when I did these that you go it. I did not have the original at the time. All I had was a fax page.

DAVID ASBURY: We'll make sure they're in the Board packets in April.

BUTCH LAMBERT: Okay. Thank you. You may...you may proceed, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman. Gentlemen, you've already been sworn. Are you going to call the docket item? You've already called it. I'm sorry. I was busy, sorry.

(Laughs.)

SHARON PIGEON: You don't get to run the

meeting. I don't care how patient you've been.

MARY QUILLEN: Did we wear you out, Tim?

TIM SCOTT: I can't do it. Sorry.

PHIL HORN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you restate your name, by whom you're employed and your job description?

A. My name is Phil Horn. I'm employed by Range Resources-Pine Mountain, Inc. as the land manager.

Q. Are you familiar with this application?

A. Yes, I am.

Q. Are you familiar with the mineral owners underlying this unit, are you not?

A. Yes, I am.

Q. And those parties are set out on Exhibit B, is that right?

A. That's correct.

Q. Can you tell me who operates the wells from which the well location exception is requested today?

A. Range Resources-Pine Mountain, Inc.

Q. And in this particular case, Range Resources is also an owner, is that right?

A. That's correct.

Q. And you operate solely on this one, is that correct?

A. That's correct. A 100% oil and gas also.

Q. Okay. Now, as far as notice to the parties listed on Exhibit B, how was that accomplished?

A. By certified mail.

Q. And we've provided proof of mailing to Mr. Asbury, is that right?

A. That's correct.

TIM SCOTT: Okay. That's all I have for Mr. Horn.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Horn, I'm sorry, I missed when you testified the operators of the adjacent wells.

PHIL HORN: That's Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: Okay. Thank you. I wasn't---.

TIM SCOTT: Mr. Horn, those are Chesapeake

wells, is that right?

PHIL HORN: That's correct. That's why we have those different numbers than we usually have.

BUTCH LAMBERT: Okay.

TIM SCOTT: Those have been assigned to you all though, correct?

PHIL HORN: That's correct. Yes.

BUTCH LAMBERT: Okay. Thank you. Any other questions from the Board?

BRUCE PRATHER: I've got one question. Is this on your new acreage block that you purchased from Chesapeake?

PHIL HORN: Yes, sir.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any other questions?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

GUS JANSEN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, would you please state your

name, by whom you're employed and your job description?

A. My name is Gus Jansen. I'm employed by Range Resources-Pine Mountain, Inc. as the manager of geology.

Q. And you participated in the preparation of this application, is that correct?

A. That is correct.

Q. Please tell the Board why we're seeking a well location exception for this particular well.

A. Yes. If the Board will refer to Exhibit AA, which I've handed out, the well location has been selected to allow for the maximum recovery of the gas resource within the existing topographic constraints as depicted on the map. The nearest location that would adhere to the statewide well spacing requirements is located approximately 2,000 feet to the west. So, therefore, not drilling at the proposed location. It will result in approximately 87.24 acres of stranded reserves, which is depicted by the stippled green area around the well that we've proposed.

Q. Do we have topographic constraints or what---

A. Yes, topographic constraints.

Q. And what's the proposed depth of this

well?

A. 5,041 feet.

Q. And what is the potential loss of reserves if the Board doesn't grant our application today?

A. 325 million cubic feet of gas.

Q. So, if the Board grants our application today, it would result and promote conservation, prevent waste and we all...we have no correlative rights issues, is that correct?

A. That is correct.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: So, Mr. Jansen, the gas owner in the adjacent well is who?

GUS JANSEN: That's also Range Resources.

BUTCH LAMBERT: Range, okay. Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

BRUCE PRATHER AND MARY QUILLEN: Motion to approve.

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second.
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's approved. Calling item twenty-three on the docket, a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well 900031, docket number VGOB-11-0315-2925. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Scott.

PHIL HORN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, your name, by whom you're

employed and your job description, please?

A. My name is Phil Horn. I'm land manager for Range Resources-Pine Mountain, Inc.

Q. And you're familiar with this application?

A. Yes, I am.

Q. And you're familiar with the ownership of the minerals underlying this unit?

A. Yes, I am.

Q. And with regard to this particular unit, do we have the same situation as far as ownership as we did with the previous unit?

A. Yes, we had a third party tracking this unit.

Q. Okay. And those parties were notified, is that correct?

A. By publication.

Q. Yes, okay. With regard to the units or the...from which we're seeking the well location exception, who operates those wells?

A. Range Resources-Pine Mountain, Inc.

Q. So, in this particular situation, Range is also an owner and operator, is that correct?

A. That's correct.

Q. Okay. And those wells were again acquired from Chesapeake, is that right?

A. That's correct.

Q. Now, we do...you just indicated to the Board that we have third party ownership of some of the gas underlying this unit, is that right?

A. That's correct.

Q. And that is part of the Yellow Poplar Lumber---?

A. That's correct.

Q. ---ownership, is that right?

A. That's right.

Q. How did we notify the parties that we were going to have this hearing today?

A. By certified mail.

Q. And by publication?

A. Publication in the Dickenson Star.

Q. Okay. And those proofs have been provided to the Board, is that right?

A. Yes.

TIM SCOTT: Okay. That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Scott,---.

TIM SCOTT: Yes, sir.

BUTCH LAMBERT: ---in the past we have had testimony from EQT about a 2,000 acre tract and I'm not sure if...I don't know if this is the exact area or it could be or couldn't be that they have done all the due diligence on that 2,000 acre tract and they are satisfied with their results. Is this within that 2,000 acres that EQ---?

TIM SCOTT: No, sir. This is a different tract. This is a 160 acre tract. Is that right, Mr. Horn?

PHIL HORN: It's surveyed out to be a 134.58 acre tract.

TIM SCOTT: But it's not part of that original---.

PHIL HORN: It is not part of that tract.

BUTCH LAMBERT: Not part of that original?

TIM SCOTT: No, sir.

BUTCH LAMBERT: Okay. So, we have accepted EQT's testimony on their research that they've done on the Yellow Poplar Lumber that we know has been declared bankruptcy over a 100 years ago---?

TIM SCOTT: Yes, sir.

BUTCH LAMBERT: ---and...so, the questions is,

what kind of research has Range Resources...Range done that would get this Board comfortable that all due diligence has been done with Yellow Poplar that EQT has done?

TIM SCOTT: Mr. Chairman, I had actually testified before the Board as to what Range Resources has done including...if the Board will give me liberty to do so.

BUTCH LAMBERT: Yes, sir.

TIM SCOTT: Including contacting the Illinois Secretary of State's office looking for any information concerning incorporators, who the shareholders were, actually...I actually examined the title to the property both in Buchanan County and any...any leads that we could find in Dickenson County as well. Basically, it's a dead end. There are...I believe, the bankruptcy was in...was in South Carolina and it basically stops at that point. So, that's where we are.

BUTCH LAMBERT: So, the paper trail ends in the bankruptcy in South Carolina?

TIM SCOTT: Yes, sir.

BUTCH LAMBERT: Okay.

SHARON PIGEON: So, what is your professional opinion as to the ownership of this since that

bankruptcy was concluded a 100 years ago?

TIM SCOTT: Well, as I think, Ms. Pigeon, you and discussed, the case that I've reviewed indicates that if there has been disposition of the property that the trustee holds for the benefit of the creditors of Yellow Poplar Lumber Company until that property can be disposed of. I find a case in the Southern...the Southern District, which I believe was in Mississippi, that actually addressed this very issue. Not with Yellow Poplar, but a similar situation where the property was not disposed of and the bankruptcy filing had been a number of years prior to the time that it was discovered that that particular asset was not included and disposed of by the bankruptcy court. So, that's...that's why we've listed them as Gally Friend, Trustee for Yellow Poplar Lumber Company.

BUTCH LAMBERT: So, I assume Gally Friend has passed on, but is still listed?

TIM SCOTT: Well, we've actually...Mr. Horn and I have been...we've looked for Gally Friend's heirs. We've used the internet. I've had paralegals in my office spend hours, hours and hours just trying to some perimeter of time where we could figure out who these heirs might actually be, you know, through internet

research sites and actually looking in adjoining counties to try to...even Wise County to see if we could find anything on...I know he was a store owner in Dickenson County at one point. But as far as who actually succeeded to him as far as his heirs or anybody who would have been listed in a Will not recorded, obviously, in Dickenson County or Buchanan County or Wise County we've not been able to determine that.

BUTCH LAMBERT: So, has that work come to a halt then? I guess, have we have hit a wall?

TIM SCOTT: No, it is not. I think that...well, it's encumbered upon anybody who deals with this particular company...I mean, it may not be the hottest fire in the office, but it's certainly nothing that ever goes away. You know, it's an ongoing process. So, that is---.

BUTCH LAMBERT: Okay.

TIM SCOTT: And that is correct isn't it, Mr. Horn?

PHIL HORN: Yes, sir.

BUTCH LAMBERT: Okay. Thank you.

TIM SCOTT: I'm very intimately involved with it.

BUTCH LAMBERT: Okay. Thank you, Mr. Scott.

Any other questions from the Board?

BRUCE PRATHER: Mr. Chairman, if I recall right, isn't Equitable drilling coalbed methane wells on Yellow Poplar, but they're not drilling conventional wells? Isn't that correct?

TIM SCOTT: I'm not aware of that, Mr. Prather. But I know that this particular well is a conventional well.

BRUCE PRATHER: Yeah, that's the reason that I brought that up---.

TIM SCOTT: Yes, sir.

BRUCE PRATHER: ---because I don't recall...I don't recall a conventional well coming before the Board for Yellow Poplar...that Yellow Poplar had any interest in because they're all CBM wells.

TIM SCOTT: We have done that, haven't it? We actually have done that, Mr. Prather.

PHIL HORN: Range did that at the end of last year. We clipped a Yellow Poplar tract down close to where Mr. Lambert was talking about.

BRUCE PRATHER: Oh, okay. Okay. Okay.

TIM SCOTT: And I believe it was this particular tract, was it not or was it a different---?

PHIL HORN: No, it was a different tract.

TIM SCOTT: 260 acres. Yeah, I'm pretty familiar with all---.

BRUCE PRATHER: Okay.

PHIL HORN: This is in Dickenson County. The other property is in Buchanan County.

TIM SCOTT: Buchanan County.

PHIL HORN: Yeah, this is the only tract that we're aware of in Dickenson County that they own.

BRUCE PRATHER: It's taken care of.

MARY QUILLEN: Just one other question, Mr. Scott. Do you know how many tracts are involved in the Yellow Poplar other than the great big one and these two smaller ones?

TIM SCOTT: Well, as far as I know, those are the only tracts that I'm aware of. I know that when...if you review the records of Buchanan County, you can see that Yellow Poplar was indebted to W...William...W. M. Ritter, you know, the predecessor, of course, of Plum Creek.

MARY QUILLEN: Uh-huh. Ritter Lumber...yeah. Uh-huh.

TIM SCOTT: And several of the tracts that were...that were conveyed back from...were actually just...Yellow Poplar conveyed those tracts back to W. M.

Ritter in lieu of foreclosure because they were going to be foreclosed on under the terms of Deeds of Trust and, obviously, unsatisfied promissory notes. So, I do know that at one point it was a fairly sizeable land holding. At one point, I think they also had...their officers were actually on Fifth Avenue in New York. I think that as they moved around the country, frankly, I think it was to avoid creditors. That's what it appeared to me, you know, based on...I mean, that was just checking the---.

MARY QUILLEN: Well, during that period of time of history in this region, there were a number of companies that did come in and...I mean, they just...they cut down everything...I mean, everything was---.

TIM SCOTT: I believe at one time though, Ms. Quillen, I believe they were probably either the first or second largest timber company in the country.

MARY QUILLEN: Right.

TIM SCOTT: They were really substantial...a substantial company.

MARY QUILLEN: I remember my grandfather who was Wise County talking about Ritter Lumber Company. So, they were, I guess, business colleagues.

TIM SCOTT: Highly competitive---.

BRUCE PRATHER: Competitive, yeah.

MARY QUILLEN: Yes, with Yellow Poplar.

TIM SCOTT: ---I think is the word that you're looking for. And then W. M. Ritter, of course, came along...came forward and they...they did buy a number of tracts that were owned by Yellow Poplar in Buchanan County to satisfy loans that they had given to Yellow Poplar.

BUTCH LAMBERT: Okay. Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: Yes, for Mr....not for Mr. Horn, for Mr. Jansen.

BUTCH LAMBERT: Okay.

GUS JANSEN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, please state your name, by whom you're employed and your job description.

A. My name is Gus Jansen. I'm employed by Range Resources-Pine Mountain, Inc. as the manager of geology.

Q. Are you familiar with this application?

A. Yes, I am.

Q. And you also participated in the preparation of the application, is that right?

A. That is correct.

Q. Please tell the Board why we're seeking a well location exception for this particular unit.

A. Yes. Again, if the Board will refer to Exhibit AA, you'll see the location of the proposed well 900031 in the center of the map outlined with a red circle around it showing the offsetting wells, which we are seeking the exception from. Again, this well location has been selected to allow for the maximum recovery of the gas resource within the existing topographic constraints as depicted on the map. The nearest location adhering to the statewide well spacing requirements that's located approximately 3,000 feet to the southwest. By not drilling a well at this proposed location, the result would be approximately 101.1 acres of stranded reserves.

Q. 101.1---?

A. 8...18, I'm sorry. Excuse me.

Q. Okay. What's the proposed depth of this well?

A. 5,349 feet.

Q. And what's the potential loss of reserves?

A. 600 million cubic feet of gas.

Q. And then if the Board grants our application it would result in preventing waste, promoting conservation and protecting correlative rights, is that correct?

A. That is correct.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by

saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's approved.

TIM SCOTT: Thank you, sir.

BUTCH LAMBERT: Calling item twenty-four on the docket, it is a petition from Range Resources-Pine Mountain, Inc. for the establishment of a drilling unit and pooling for proposed well 900031, docket number VGOB-11-0315-2926. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Mr. Chairman, this particular unit is the one that we just requested a well location exception. So, the...what I will do is go through the questions that I typically have for Mr. Horn. But I would advise the Board that we have...Mr. Horn has already provided to Mr. Asbury just a synopsis of the due diligence efforts as requested...as required by the Board. That has been provided to Mr. Asbury presently.

If the Board has any other questions along the way, just feel free to ask.

PHIL HORN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Okay. Mr. Horn, your name, by whom you're employed and your job description.

A. My name is Phil Horn. I'm land manager for Range Resources-Pine Mountain, Inc.

Q. Are you familiar with this application?

A. Yes, I am.

Q. And this is a...this unit is subjected to statewide spacing, is that right?

A. 112.69 acres. That's correct.

Q. And we have...Range Resources has drilling rights in this unit?

A. Yes, we do.

Q. And what percentage does it have under lease?

A. We have 85.35%.

Q. Now, we have the same situation as we

did before that we have an unknown, is that right?

A. That's correct.

Q. So, the...we just published, is that correct, in the Dickenson Star?

A. That's correct.

Q. And what date was that done?

A. February the 18th, 2011.

Q. And, again, you've already provided Mr. Asbury with your due diligence efforts, is that correct?

A. Yes, I have.

Q. And we've provided proof of publication with the Board, is that right?

A. That's correct.

Q. Range Resources is authorized to conduct business in the Commonwealth, is that correct?

A. That's correct.

Q. A blanket bond on file?

A. That's right.

Q. And if you were able to reach an agreement with the parties listed...or the party listed on Exhibit B-3, what would the lease terms be?

A. Thirty dollars per acre for a five year paid up lease that provides a one-eighth royalty.

Q. And that's reasonable compensation for a

lease in this area?

A. In my opinion, it is.

Q. Okay. What percentage of the oil and gas estate is Range Resources seeking to pool here?

A. 14.65%.

Q. And we've indicated that we have an unknown, is that right?

A. That's correct.

Q. So, we have an escrow requirement?

A. That's correct.

Q. And we've submitted an Exhibit B, which sets forth that percentage, is that right?

A. Exhibit E 14.65%, yes.

Q. And what tract is subjected to escrow?

A. Tract 2.

Q. And, again, you said 14.65%?

A. Correct.

Q. So, we're asking the Board to pool the unleased parties listed on Exhibit B-3, is that right?

A. That's correct.

Q. And that Range Resources be named operator?

A. Yes.

Q. And if any Board order that's entered in

this particular matter, what would be the address for any elections?

A. Range Resources-Pine Mountain, Inc.,
P. O. Box 2136, Abingdon, Virginia 24212, Attention:
Phil Horn.

Q. And other...all other correspondence as well?

A. That's correct.

TIM SCOTT: Okay. That's all I have for Mr.
Horn.

BUTCH LAMBERT: Any questions from the Board?

SHARON PIGEON: Mr. Horn, I'm sorry, I didn't
get what you said the lease terms you proposed were?

PHIL HORN: Thirty dollars per acre for a five
year paid up lease that provides a one-eighth royalty.

SHARON PIGEON: Thank you.

PHIL HORN: You're welcome.

BUTCH LAMBERT: You may continue.

GUS JANSEN

having been duly sworn, was examined and testified as

follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, your name, by whom you're employed and your job description.

A. My name is Gus Jansen and I'm employed by Range Resources-Pine Mountain, Inc. as the manager of geology.

Q. And you're familiar with this application?

A. Yes, I am.

Q. What's the proposed depth of this well?

A. 5,349 feet.

Q. Which is consistent with our last testimony, is that right?

A. That is correct.

Q. That's a good thing. That's a really good thing.

SHARON PIGEON: I applaud you on that.

Q. What's the...what's the estimated reserves for this particular unit?

A. 600 million cubic feet of gas.

Q. And you also participate in the preparation of the AFE, is that right?

A. That is correct.

Q. So, you're familiar with the well costs?

A. I am.

Q. And what is the estimated dry hole costs for this unit?

A. \$315,295.

Q. And the completed well costs?

A. \$615,866.

Q. So, again, you participated in the preparation of the AFE, is that right?

A. That is correct.

Q. And it provides for a supervision charge?

A. It does.

Q. And is reasonable in your opinion?

A. Yes, it is.

Q. And if this application is granted, it would prevent waste, promote conservation and protect correlative rights, is that correct?

A. That is correct.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's approved. Calling docket item twenty-five, a petition from Range Resources-Pine Mountain, Inc. for pooling of horizontal conventional well VH-530309, docket number VGOB-11-0315-2927. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Scott.

PHIL HORN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, one more time, your name, by whom you're employed and your job description.

A. My name is Phil Horn. I'm land manager for Range Resources-Pine Mountain, Inc..

Q. And you're familiar with this application?

A. Yes, I am.

Q. And this is a provisional unit established by the Board, is that right?

A. That's correct.

Q. And it contains 320 acres, is that also correct?

A. That's right.

TIM SCOTT: And I'm going to stop for just one minute. I know that the Board had asked or Mr. Hagy had asked our office to give the docket number for the establishment of a provisional drilling unit. I'd already sent everything over here before I was able to

do that. But we will do that in the future for anytime we have a...an application that you're requesting the docket number for the establishment of that unit. And do you know what that is, Mr. Jansen?

GUS JANSEN: I do not off the top of my head.

TIM SCOTT: But we can provide that to you. This was actually a well that VH-530185 that we had pooled sometime...sometime ago. This is an additional well within this unit. So, I can get that for the Board if you'd like for me to.

BUTCH LAMBERT: Can you get it to Mr. Asbury?

TIM SCOTT: I'll be glad to do that. Yes, sir.

Q. Mr. Horn, Range Resources has drilling rights in this unit, is that right?

A. That's correct.

Q. Are we going to dismiss anybody today?

A. No.

Q. And how much of the unit does Range Resources have under lease?

A. As part of the revised exhibits that I passed out, 97.158%.

Q. Okay. Now, the parties who are listed on Exhibit B-3, have you attempted to reach an agreement with those individuals?

A. Yes, we have.

Q. And as far as the...giving everybody notice of this hearing, how as that done?

A. From the parties that we located, by certified mail for the unknowns by publication in the Dickenson Star on February the 18th, 2011.

Q. And we have unknowns, is that correct?

A. Yes. I just gave Mr. Asbury my affidavit of due diligence.

Q. Okay. Have provided proof publication of mailings to Mr. Asbury?

A. Yes, you have.

Q. And Range Resources is authorized to conduct business in the Commonwealth, is that right?

A. That's correct.

Q. And have a blanket bond on file?

A. That's right.

Q. Now, as far as lease terms that would be offered to unleased parties, what would those be?

A. Twenty-five dollars per acre for a five year paid up lease that provides a one-eighth royalty.

Q. Do you think this is reasonable compensation for a lease in this area?

A. Yes, I do.

Q. Okay. So, what percentage of the oil and gas estates is Range Resources seeking to pool?

A. 2.842%.

Q. And we've already indicated that we have escrow requirements, is that right?

A. That's correct.

Q. What...what's the percentage that will be escrowed?

A. 2.72%.

Q. And what are the tracts or tracts that are subjected to escrow?

A. Tracts 11, 12, 16, 17, 18 and 20.

Q. Now, as far as...I believe that we have testified to this before, but just to refresh the Board's memory, in this particular situation the highway came through and most of these people disappeared from Dickenson County thinking that they had lost their minerals. But it's our position that the minerals still remain in these individual...and those are the parties listed on both Exhibit B-3 and Exhibit E, is that correct, Mr. Horn?

A. Yes.

Q. Okay.

A. If you look at the plat, the little

small tracts in the southwest corner of the unit, the highway went through there in the early '70s and took out most of those...those tracts surfacewise did not exist. Portions or few of them do exist.

Q. They're either above or below the road, is that right---?

A. That's correct.

Q. ---of what's left? Okay. So, are you requesting the Board to pool the unleased parties listed on Exhibit B-3?

A. Yes, we are.

Q. And you're asking that Range Resources be named the operator of this unit, is that also correct?

A. That's correct.

Q. Now, if any of these individuals who are listed on B-3 make an election, what would be the address used?

A. Range Resources-Pine Mountain, Inc.,
P. O. Box 2136, Abingdon, Virginia 24212, Attention:
Phil Horn.

Q. And that would be the address for all election...all correspondence, is that correct?

A. That's correct.

TIM SCOTT: Okay. That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

GUS JANSEN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, your name, by whom you're employed and your job description.

A. My name is Gus Jansen. I'm employed by Range Resources-Pine Mountain, Inc. as the manager of geology.

Q. Are you familiar with this application?

A. Yes, I am.

Q. And you also participated in the preparation of the application, is that right?

A. That is correct.

Q. What's the total depth of the proposed well?

A. 9,224 feet.

Q. And the estimated reserves?

A. 1,000...1 bcf of 100 or 1,000 million mcf.

Q. I never get that part right.

A. Sorry.

BRUCE PRATHER: Start at 1 million.

Q. That b just kind of throws me for a loop. I have to write that down. Now, you, again, participated in the preparation of the AFE, is that right?

A. That is correct.

Q. So, you're familiar with the well costs?

A. I am.

Q. What's the estimated dry hole costs?

A. \$671,210.

Q. And completed well costs?

A. \$1,321,689.

Q. And you signed the AFE, is that right?

A. That is correct.

Q. So, does the AFE set forth a reasonable charge for supervision?

A. Yes, it does.

Q. And in your opinion, if this application is granted it would prevent waste, promote conservation

and protect correlative rights, is that correct?

A. That is correct.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

SHARON PIGEON: Tim, I have a question for you.

TIM SCOTT: Yes, ma'am.

SHARON PIGEON: Back to this matter about the highway---?

TIM SCOTT: yes.

SHARON PIGEON: ---department---?

TIM SCOTT: Yes.

SHARON PIGEON: ---did you evaluate the ownership and determine that the eminent domain was exercised only for surface?

TIM SCOTT: Yes, ma'am.

SHARON PIGEON: So, you have---?

TIM SCOTT: I actually was able to find those pieces of litigation and the thing that was interesting about the way this was done is that that was the only way I could actually locate who the heirs (inaudible) and all of these various ones that were listed on there because they actually put a map that showed the location of these tracts as they related to State Rt. 83. So, when you look at what was actually condemned, it was not

fee. It was for highway purposes. So, that was the determination that we made in listing these individuals.

SHARON PIGEON: The best of your professional information and belief?

TIM SCOTT: Yes, ma'am.

SHARON PIGEON: Thank you.

TIM SCOTT: That's right.

SHARON PIGEON: I wanted that in the record.

BUTCH LAMBERT: Any other questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's

approved.

TIM SCOTT: Thank you.

PHIL HORN: Thank you.

GUS JANSEN: Thank you.

BUTCH LAMBERT: We're calling item twenty-six on the docket, a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 292, this is VA Unit A-34, docket number VGOB-11-0315-2928. We have received a letter from Scott Mullins...Tom Mullins of the Street Law Firm requesting that this item be continued until April.

DAVID ASBURY: Yes.

BUTCH LAMBERT: So, item twenty-six on the docket will be continued until April. Okay. Ladies and gentlemen, if you have all received a copy of the minutes from the last meeting. Do I have any comments on the minutes from the last meeting? Any corrections or additions?

MARY QUILLEN: I did not get a copy of the minutes. I did not receive a copy of the minutes.

BUTCH LAMBERT: Oh. Do you want to take just a quick glance at those, Ms. Quillen.

MARY QUILLEN: This is...this is not the minutes.

BUTCH LAMBERT: Oh. They're not? Well, what did I hand you?

MARY QUILLEN: That.

BUTCH LAMBERT: I handed you the docket.

MARY QUILLEN: Yeah.

BUTCH LAMBERT: I had a copy of the minutes.

MARY QUILLEN: I just didn't get minutes.

SHARON PIGEON: Ms. Dye, didn't---?

KATIE DYE: I need to see them.

BUTCH LAMBERT: Okay. Did you distribute the minutes with the packet?

DIANE DAVIS: It was supposed to have been put in. Yes, sir.

MARY QUILLEN: Did anybody get minutes?

SHARON PIGEON: We know that. But where they are---.

BILL HARRIS: I thought I had them, but when I looked at what I have---.

DIANE DAVIS: Did any of you get minutes?

BILL HARRIS: ---I don't have them.

MARY QUILLEN: No.

BRUCE PRATHER: That's all right. It's not that important to me.

BUTCH LAMBERT: No minutes.

DIANE DAVIS: I can go get them while you continue on.

BUTCH LAMBERT: Okay. We will hold that item...item over until next month. Also, on the docket, there's...Mr. Asbury, would you...do you...are you prepared to give us an update regarding the escrow activities.

DAVID ASBURY: Yes, Mr. Chairman, I do. The first item...and I appreciate the folks waiting patiently all day. The Board had asked my office to work with different individuals with the Linkous Horn and Stilwell Heirs in different parts. Patricia, if you wouldn't care to come up. We would like to address one particular item. We're still working. Staff continues to work with Ms. Keen and Mr. Osborne. Ms. Stilwell has a current issue that I would like to discuss with the Board or at least bring the information forward to you. In working with Ms. Stilwell, they were disbursed in 2010 from a couple of the units, S-35 and S-36. Just recently, they received a 1099 form for that disbursement. And Ms. Stilwell and the family asked to provide an accounting to the family for that disbursement, which would go back to the beginning of the well production in those units and be part of that

disbursement. The reason for that is, they as a royalty owner and as a disbursement from the escrow account, there are certain tax implications for either cost or percentage depletion allowance for gas and oil royalty owners. From the information that Mr. Stilwell had provided our office, she was not...we were not able to determine a method that they could use for determining their tax...their tax information from the disbursement from escrow. The information was not complete to where they could determine a cost of percentage depletion from the information provided. She asked our office for that information from that disbursed units and we in turn requested that information from CNX Gas who are...who had the units. CNX Gas' response with an email was that that information had to come from the escrow agent. So, I'm...we're at a quandary. I'm asking the Board and maybe Ms. Stilwell can present some additional information. But I'm asking guidance from the Board and probably a request that the Board direct staff to either seek that information from the escrow agent or from the gas company so that they can properly prepare their tax information.

BUTCH LAMBERT: Is this part of the information that originated with the Wachovia and got transferred to

First Bank?

DAVID ASBURY: Yes.

BUTCH LAMBERT: So---.

DAVID ASBURY: Yes. These would be wells---.

BUTCH LAMBERT: ---have you been able...have you been able to determine that what was received from Wachovia to First Bank is accurate?

DAVID ASBURY: Not at this time. No, sir.

BUTCH LAMBERT: Okay.

DAVID ASBURY: So, this leads to...again, this leads to an issue that we can discuss as part of the APA audit about complete and full information for accounting, which is a full accounting prior to a disbursement. We're trying to assist Ms. Stilwell and her family and others who has requested this full accounting so that they can properly account for their taxes in this depletion allowance. And as I've researched from information provided from the IRA, a royalty owner has that option to do either a cost or a percentage depletion. That cost or percentage depletion, you have to have certain information that was not provided the family at the time of disbursement.

MARY QUILLEN: She may have given the date on that. I'm not sure. What was the date of this...these

disbursements?

PATRICIA STILWELL: We received the checks in June---.

DAVID ASBURY: Of 2010.

PATRICIA STILWELL: ---of 2010.

MARY QUILLEN: Oh, okay. Oh, okay.

PATRICIA STILWELL: So, we got our 1099s like January of 2011.

MARY QUILLEN: Okay. I was checking to make sure it was this year.

PATRICIA STILWELL: Yeah. So, they have to go back to when they first started the account in escrow.

MARY QUILLEN: Right. Well, that's what I'm...I'm getting to that point because this began---.

PATRICIA STILWELL: In '93, I think, maybe.

MARY QUILLEN: And we've had several agents. Now, would all of that---.

PATRICIA STILWELL: They have to keep them---.

MARY QUILLEN: -information be available from an escrow agent or will it all have to come back from...from the operator because there have been several escrow agents that have been responsible and then whether all of that information was passed on down to the next escrow agent?

BRUCE PRATHER: David, do you know what percentage depletion the royalty owner gets? Do you know what the percentage is?

DAVID ASBURY: The maximum allowed by the IRS is 15%, but it's based on a...it's based on a calculation of their reserves and estimated...ultimate reserves for the property and their interest ownership. And they're allowed based on...again, I'm not a tax lawyer or a CPA, but based on my reading, they're allowed to do the calculation between cost or percentage depletion and they get to enjoy the benefit of the one that gives them the highest benefit from that...from that property.

MARY QUILLEN: Would the escrow agent have that information...the current escrow agent?

DAVID ASBURY: No, the current escrow agent does not.

BRUCE PRATHER: I know this much and that is if you're going to get...I mean, the depletion allowance that I'm familiar with if you have a working interest in it and you get your depletion allowance, you get your operating costs and...that you can write off and it's on a schedule C. Are you familiar with a Schedule C?

DAVID ASBURY: Yes, sir.

BRUCE PRATHER: Well, that's...I mean, I get

some of those. So, I know that's where my depletion comes from. So, I don't know whether the royalty owners get Schedule Cs or not.

DAVID ASBURY: Maybe we need to get Ms. Stilwell sworn in.

(Patricia Stilwell is duly sworn.)

PATRICIA STILWELL: I have six tickets here, 1099s. On one of them, I have the revenue deductions and the severance on it. Okay, the other five tickets does not. Five tickets came from escrow and the other one is from the gob where all of them was...all of the wells are combined except for, I think, W-35, okay. Now, the revenue deductions and the severance is on the gob. I can show you it.

BRUCE PRATHER: Well, is the depletion on that too?

PATRICIA STILWELL: The depletion and everything is on it.

BRUCE PRATHER: Okay. Now, that makes sense.

PATRICIA STILWELL: Okay. Now, the ones that is in escrow and we just received it this year for 2010 taxes, none of the depletions was on those at all. We got the amount of royalties, but we didn't get no depletions on it. We need the depletions in order for

our taxes. We can claim those when we get out disbursements for our tax purposes.

SHARON PIGEON: Why are they in escrow?

PATRICIA STILWELL: We couldn't come to an agreement until...my mother---.

SHARON PIGEON: So, there's ownership dispute?

PATRICIA STILWELL: It was. But---.

DAVID ASBURY: They split it.

PATRICIA STILWELL: Yes, a split agreement.

SHARON PIGEON: So, you do have split agreements now?

PATRICIA STILWELL: Yes.

SHARON PIGEON: But it's still in escrow?

PATRICIA STILWELL: No, it was.

SHARON PIGEON: Okay.

PATRICIA STILWELL: We got...my mother, Nancy Stilwell and others,---.

SHARON PIGEON: Okay. Thank you.

PATRICIA STILWELL: ---went ahead and got theirs.

SHARON PIGEON: So, we got---?

BUTCH LAMBERT: So, you're asking for the depletion before the split agreement?

PATRICIA STILWELL: No. I'm asking for the

depletion---.

MARY QUILLEN: When was the split agreement made? Was it after December the 31st, 2010?

PATRICIA STILWELL: No. No.

MARY QUILLEN: It was before?

PATRICIA STILWELL: It was before.

DAVID ASBURY: A split agreement was brought before the Board and approved, I believe, June of 2010.

PATRICIA STILWELL: Yeah.

DAVID ASBURY: And that disbursement included production and royalty payments and cumulative interest at that time. But there was no accounting that was provided with that disbursement to the family---.

SHARON PIGEON: Right.

DAVID ASBURY: ---in 2010. When it came time now to give the 2010 1099---.

PATRICIA STILWELL: Right.

DAVID ASBURY: ---they got a...they did not receive a full accounting in which to calculate their cost or percentage depletion rate.

SHARON PIGEON: And---?

MARY QUILLEN: Well, if that information isn't...I wouldn't think that that would come to the escrow agent, would it?

DAVID ASBURY: I believe that there's really two parts to this. The first part has to come from the gas company.

SHARON PIGEON: Right.

MARY QUILLEN: Yeah. Right.

DAVID ASBURY: And the gas company would have those records or should have based on what they're required if they put funds into escrow. That will be component part A. They could calculate---.

SHARON PIGEON: Right.

DAVID ASBURY: ---the percentage depletion from that information from the production sales. The total net to the operator or to the royalty owner would then have to include part B, which is the cumulative interest, etcetera.

MARY QUILLEN: Right. The 10...yeah, from the escrow agent.

DAVID ASBURY: And not until we got that---.

MARY QUILLEN: Yeah.

DAVID ASBURY: ---would they be able to calculate their cost depletion.

MARY QUILLEN: And what does CNX say when you have...have you requested this from them?

DAVID ASBURY: I have. The reply was that they

would ask us to look to the escrow agent to receive that information.

MARY QUILLEN: And the escrow agent---?

BRUCE PRATHER: Does have it.

MARY QUILLEN: ---doesn't have it?

DAVID ASBURY: I'm not sure of that.

MARY QUILLEN: Oh, okay. That might---.

DAVID ASBURY: It is...it is going to be a task. There's nineteen years.

PATRICIA STILWELL: I think...since '93, I think. I might be a year or two off, but I think '93.

BUTCH LAMBERT: So, Mr. Asbury, why...why don't we do this? Why don't you confirm with the escrow agent that they cannot provide that information? If they cannot provide that information, the Board would request that you draft a letter for the Chairman's signature to CNX instructing them to provide that information that's needed.

SHARON PIGEON: '93 would actually go back before Wachovia, would it not?

DAVID ASBURY: Yes.

SHARON PIGEON: Three escrow agents.

BRUCE PRATHER: Mr. Asbury, did you get---?

PATRICIA STILWELL: We was notified in '94.

So---.

SHARON PIGEON: So, I think Wachovia was '95.

DAVID ASBURY: I'm not sure. There was a Bank of Tazewell County during that time period and then there was Dominion.

BUTCH LAMBERT: Well, there was some predecessors to Wachovia who bought...Wachovia bought. First Union---.

MARY QUILLEN: Yeah, it was First Union, Dominion...it was Dominion and then it was First Union and then Wachovia and then Wells Fargo.

BILL HARRIS: Yeah.

MARY QUILLEN: Well, we never did deal with actually Wells Fargo.

DAVID ASBURY: But this...again, this...while working with the family this crystalized one of the issues before the Board about disbursements and inquirement to provide a full accounting prior to disbursements.

MARY QUILLEN: Right.

BUTCH LAMBERT: Is the Board okay with the instruction to---?

MARY QUILLEN: Yes.

BUTCH LAMBERT: ---do that?

MARY QUILLEN: Absolutely.

KATIE DYE: If I might add, Mr. Lambert, concerning the Stilwell family's time line. Their taxes will be due April the 15th.

BUTCH LAMBERT: Yeah.

KATIE DYE: So, you might consider a time limit or something.

BUTCH LAMBERT: Well, we will put a...we will put a---.

SHARON PIGEON: They can get an extension on that. That should be the kind of thing that you would need get an extension on.

BUTCH LAMBERT: And I---.

PATRICIA STILWELL: I'll try to get an extension. If I cannot, I can get ahead and do that and amend it for this year. I don't like to do that, but if I have to I will.

SHARON PIGEON: You can get an extension on that.

BUTCH LAMBERT: Given that it's the 15th of March, I doubt very seriously that the Board can even our process done with Mr. Asbury before April the 15th or certainly in the time period to file your taxes. So, that's probably what you're going to have to do is

request an extension. But we will instruct CNX from this Board to provide that information.

BRUCE PRATHER: Mr. Chairman, could I make a suggestion? I get royalty payments. I also have working interest in wells. My royalty payments, I don't get depletions. I've had this for twenty years. I...it may be to our advantage to notify the IRS and just see who gets what. I think that would be something that might...if you find it's a way my situation is, then you resolve the problem. Just to the IRS and ask them if indeed royalty owners are supposed to get depletion.

PATRICIA STILWELL: Yeah. Well, the one that I talked to they said that the depletion should be on these other accounts as well as the gob account.

BRUCE PRATHER: Well, yeah, I can see it being on the gob account. The problem that I can see is with the well. I never seen it on a well. But I do get...I do get a schedule C, which is...has my depletion on it and that's when I have a working interest. I do get those. And---.

PATRICIA STILWELL: Well, I mean, all of these are on schedule Cs.

BRUCE PRATHER: Yeah.

DAVID ASBURY: Reading...reading, Mr. Prather,

from the IRS website it says, "You must use the method that gives you the largest deduction unless you are an independent producer or a royalty owner. You generally cannot use percentage depletion for oil and gas wells unless certain conditions apply."

BRUCE PRATHER: Right.

DAVID ASBURY: And then it gives you...when you go the royalty owner site, it talks about calculating whether or not cost depletion or percentage depletion is to your advantage and that you should calculate both and then you have the benefit of the higher with percentage depletion maxing at 15%.

BRUCE PRATHER: I think...I think probably what they're saying there is if you know how much gas is produced, you take whatever that percentage is and that's your depletion problem.

DAVID ASBURY: For...yes.

BRUCE PRATHER: Yeah. I'd say that's what it is.

DAVID ASBURY: For that year, you take that percentage.

BRUCE PRATHER: Yeah. Yeah.

DAVID ASBURY: Yes, sir. And, again, the Board asks that staff work with the family on issues and this is a current issue. I certainly appreciate Ms. Stilwell

and her family working with us on this.

BRUCE PRATHER: I mean, the thing about it is they're going to have to figure out which system is most advantageous for them to file under.

DAVID ASBURY: Yes. And currently they don't have the correct detail to be able to do that.

BRUCE PRATHER: Okay.

PATRICIA STILWELL: And I would like that for future references to on all of our other accounts. It's just not on two...it's on all of our accounts, the Linkous Horn and O. H. Keen, which has not been disbursed yet.

MARY QUILLEN: Has a split agreement been reached on those others as well? (Inaudible.)

PATRICIA STILWELL: Yes.

BUTCH LAMBERT: So, Mr. Asbury, we'll proceed with the instructions to work with the escrow agent. If they can't provide it, then you will draft a letter for the Chairman's signature to CNX-?

DAVID ASBURY: Yes, sir.

BUTCH LAMBERT: ---that they will provide that information? Okay. Okay, thank you. Any other updates on the escrow...as far as the escrow account?

PATRICIA STILWELL: And could you provide me a

letter also that you sent to CNX or that you sent them one?

DAVID ASBURY: I will copy you on it.

PATRICIA STILWELL: Okay.

DAVID ASBURY: Yes, ma'am. Again, thank you for your patience today.

PATRICIA STILWELL: Thank you.

BUTCH LAMBERT: Any further updates regarding the escrow account?

DAVID ASBURY: Yes, sir. I wanted to give the Board an...just a verbal update. At the end of February, we had royalty deposits totaling \$256,991 for both working interest and royalty income interest. Earnings for the CEDARS interest and money market account was \$10,801. There were fees of \$2,200. Disbursements from escrow was \$53,608. Audit costs---

SHARON PIGEON: Would you repeat that?

DAVID ASBURY: I'm sorry?

SHARON PIGEON: Could you repeat that last number?

DAVID ASBURY: Disbursements?

SHARON PIGEON: Yes.

DAVID ASBURY: \$53,608.

SHARON PIGEON: Thank you.

DAVID ASBURY: And the audit costs, which is the hourly workers doing the detail audit review for the month was \$6,981. That gave an ending balance...ending market balance in escrow February the 28th at \$26,613.309...let me repeat that, \$\$26,613, 309.

BUTCH LAMBERT: He wrote himself a check.

(Laughs.)

MARY QUILLEN: 3 hundred and what?

DAVID ASBURY: 309.

MARY QUILLEN: 90?

SHARON PIGEON: 9.

DAVID ASBURY: \$26,613,309.

MARY QUILLEN: 9.

DAVID ASBURY: I'm sorry. It's late in the day.

SHARON PIGEON: And that was through?

DAVID ASBURY: February the 28th?

SHARON PIGEON: Thank you.

DAVID ASBURY: Yes, ma'am. I'll provide hard copies to the Board as well. The staff will have a meeting this Thursday, which will be our quarterly meeting with First Bank & Trust. If there any issues that the Board members have that you would like for us to address with First Bank & Trust, please email Diane or I about that or discuss it. We've established the

quarterly meeting just as a working session to make sure that everybody is on the same page and address any issues that we might have. One of those issues that the bank asked that I discuss with the Board today, we have some checks that are returned. When those checks... we've had a small group, not a large group, but some of those payment checks from disbursement folks have written void on them and just returned them. I'm not sure why yet. Maybe some of those disagree with the disbursement or believe if they sign the check or accept the check that they're agreeing that everything is proper. When we disburse, and this is something the Board I hope would consider and give us direction on too, once the Board approves the disbursement and payment is disbursed, we assume that money is out of that account for future disbursements. That money if those checks are returned doesn't automatically go back into the account until that issue is resolved. So, if it's returned, what Diane and I hope to talk with the bank about tomorrow is to have those checks she just holds them in a file and they're like in a suspense account. But...and we try to resolve those month after month and they're not large checks. They're typically smaller checks. But we do not return that money into

the escrow balance when calculating disbursements going forward until that's resolved.

MARY QUILLEN: Is there some way that they could let you know, you know, what these checks are...who they were to and those people can be contacted to find out why they were returned?

DAVID ASBURY: Yes, they do that frequently and we try our best and we contact the gas operator to contact them as well. We make sure that addresses and phone numbers are what both parties have and make our best efforts to contact those individuals.

BUTCH LAMBERT: And did you say that the bank has already set up a suspense account or what are they currently doing with the funds?

DAVID ASBURY: They have not...today, that was something that's on our agenda for Thursday. Currently, they are just holding the checks in the file and letting us know that the checks have been returned and they're working with us and the gas company to contact the folks to see why those checks were returned.

MARY QUILLEN: But in the meantime...if money is being disbursed, then there has to been an agreement reached. So, that's puzzling why they would be---.

DAVID ASBURY: Most recently it has been

contesting the split agreement.

MARY QUILLEN: Okay.

SHARON PIGEON: You also had one from a man who was divorced and it had his wife's name on it as well because that was---.

MARY QUILLEN: Right. I remember that one. Yeah.

DAVID ASBURY: Yes.

SHARON PIGEON: And that was---.

MARY QUILLEN: And they had to issue the check back to him. So---.

RONNIE OSBORNE: Mr. Lambert, could I speak on this?

BUTCH LAMBERT: No, sir. No, sir.

RONNIE OSBORNE: In other words, them checks them people is getting don't count?

BUTCH LAMBERT: Excuse me, Mr. Osborne, but it's not open for public comment. It's Board discussion.

RONNIE OSBORNE: Okay.

DAVID ASBURY: If the Board would like to...if there's another process, if the Board would like staff to discuss with First Bank & Trust in the reason...on these checks, we'll be glad to do that. Some of these don't get resolved as the calendar year passes. We've

had some incarcerations. We've had some other issues. Those individuals will get a 1099 for those funds that were disbursed. So, that has brought some issues.

MARY QUILLEN: yeah, complications for---.

BUTCH LAMBERT: So, there's no way you can put that money back in the escrow account because that's just---.

BRUCE PRATHER: It has been disbursed.

MARY QUILLEN: Yeah.

SHARON PIGEON: The order is out there.

BUTCH LAMBERT: The orders are done out there and then it throws off all of our calculations going forward.

DAVID ASBURY: That's correct. So, we leave...they're in, more or less, suspense until we can get the issue with the check resolved.

BRUCE PRATHER: David, let me ask you a question, on these checks, how much...how much money are we talking about and with this in anyway present a problem to our auditing people?

DAVID ASBURY: The checks that we're aware of is not a material difference for an audit.

BRUCE PRATHER: Oh, okay. Okay.

DIANE DAVIS: Yet.

DAVID ASBURY: Yet.

BUTCH LAMBERT: But the audit should reflect what has happened though that those checks have been returned.

DAVID ASBURY: Yes.

BRUCE PRATHER: okay.

BUTCH LAMBERT: So, that's probably...should be on the top of the list for the Thursday meeting with the escrow agent.

MARY QUILLEN: Right.

DAVID ASBURY: We can do that.

BUTCH LAMBERT: Now, Mr. Osborne, if you have a comment you can---.

RONNIE OSBORNE: I was just commenting on the checks that they was talking about. My sister and brother still get...Ms. Quillen said that they have not agreed. My sisters and brothers do not agree. I'm not agreeing. We've received checks. That's all I wanted to let you know.

BUTCH LAMBERT: Okay. Thank you. Well, we... understand, we was in the middle of a discussion and until that was over then I can let you have your comment.

DAVID ASBURY: One last item, Mr. Chairman.

BUTCH LAMBERT: Okay, Mr. Asbury.

DAVID ASBURY: Our detail audit folks are doing a wonderful job. We just had an internal review with the DMME, an internal auditor, last week who reviewed, again, the process and our progress. The ladies who are reviewing the detailed audit have finished most of 2009 from CNX. They have...they're already into 2008 for CNX. So, they're making excellent progress. There's several thousands lines of data that they're reviewed and input. So, I'm very proud of their work and efforts and that also goes with the work that Diane and Jim Lovett has done with them. I see a time period here where...and I'm asking the Board, if it would be okay to draft a time table request to other operators to begin providing us the information historically, 2008s, '07, '06 and '05 all the way to 2000 on a time table. Right now it's just open and we've just openly requested it from the operators. I think with the speed, the ladies are able to do one year about every forty-five days. One may take a week and three may take two hours. But if it pleases the Board, I'd like to develop a time table and a letter from the Chairman's office to do this detailed audit and ask the gas producers to the provide this information in a timely manner.

BUTCH LAMBERT: I would recommend that you set that time schedule so that you don't...that the companies get that information to you well in advance before it's needed, okay. I don't think that should be an issue. If you'll draft the letter, I'll be happy to sign it.

DAVID ASBURY: Okay. Thank you very much.

BUTCH LAMBERT: Okay. If you'll recall last month, we had a presentation on our escrow estimator that we made public on our website. I checked the records on how much use that website was getting. According to what our compute technology folks are telling me, we've had almost 6700 hits on that website since it was published. Also, if you recall, we had a request to put the wells on that website so they could click on a well, that has been done now if you've not had a chance to look at that. I'd encourage you to go out and look at that website. The wells are there and you can just click on the well and bring the information back to you in addition to the unit information. So, our office, through the website, has not received any comments. I don't know, David, if you have...if your folks have received any comments on what we can make...to make it better. But through the email address

that we gave on the website, we haven't received any information.

DAVID ASBURY: Staff has received questions on particular units and we've been able to address most of those. Most positive. There has been some, again, when we've published the website there was about 15% of the units that were not completed yet. They were about 85% complete. But most have been positive feedback and very welcome.

BUTCH LAMBERT: I can tell you too that we committed to additional bells and whistles on that website and our staff has continued to work on those to get additional information posted. We will keep the Board updated on the progress of that. Okay. The last item...the next to the last item on the docket, is that we will review and discuss the auditor of public account final report and the actions regarding the APA's recommendation to the Board. Since we're already over our normal quitting time again, as bad as I hate to do this, I'd like to carry that item over until next month. So---.

DAVID ASBURY: And if any of you do not have copies, we do have extra copies today.

BUTCH LAMBERT: So, do I have motion to adjourn?

MARY QUILLEN: Motion to adjourn.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.

All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed? I don't think there will be anybody opposed.

BRUCE PRATHER: We'll hold that over too.

BUTCH LAMBERT: We'll hold that over too. Thank you, Mr. Prather. So, we're adjourned.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 21st day of April, 2011.

NOTARY PUBLIC

My commission expires: August 31, 2013.